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PRESENTATION

Operator

Welcome, everyone, to the Q4 2021 earnings call. My name is Sue, I'm your event manager. (Operator Instructions) I would like to advise all parties that this conference is being recorded.

And now I'll hand over to Frank Golden, Head of Investor Relations. Please go ahead.

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

Good morning, and thank you for joining us today for our fourth quarter and full year 2021 earnings call. I'm joined today by our CEO, Steve Hasker; and our CFO, Mike Eastwood, each of whom will report our results and take your questions following their remarks.

Today marks my final earnings call as Head of Investor Relations for Thomson Reuters. I'm pleased to announce that we're also joined by Gary Bisbee, who will assume the role of Head of Investor Relations for Thomson Reuters on March 1, in advance of my retirement in July. I couldn't be more pleased to place the baton in the very capable hands of Gary, who many of you already know. Gary has covered Thomson Reuters on the sell side of Bank of America Securities for the past 3 years, and I know will do a very terrific job.

After 18 years at Thomson Reuters, including 71 earnings calls and 8 Investor Days, it's time for my next adventure and to spend more time with my wife and family. I truly enjoyed my time at TR, having worked with 4 CEOs, 3 CFOs and hundreds of very talented colleagues over that time. I also will miss speaking with many of you. You challenged me, informed me and even entertained me a bit of times, and helped me do this job better. And for that, I am grateful.

Lastly, I've watched Thomson Reuters evolve to become one of the preeminent business information services companies in the world. And under Steve and Mike's leadership, I'm confident TR will continue to build on its progress, further strengthening its position for the benefit of our investors, customers and employees.

And now to the results. A lot to share today. (Operator Instructions) Throughout today's presentation, when we compare performance period-on-period, we discuss revenue growth rates before currency as well as on an organic basis. We believe this provides the best basis to measure the underlying performance of the business.

Before I turn it over Steve, I want to note that reflecting how we currently manage revenue across our segments, we are making two changes effective January 1, 2022. For comparability, we will revise our 2021 results and during when we report our first quarter 2022 results in May. These changes will not have any impact on our consolidated results.

First, we will record intercompany revenues for Reuters News for content-related services that it provides to our Legal Professionals, Corporates and Tax & Accounting Professionals businesses. Previously, these services have been reported as a transfer of expense from Reuters to these businesses. So there is no impact on any segment's adjusted EBITDA.

Two, we will transfer $9 million of revenue from the Corporates business to our Tax & Accounting business, where it will be managed and where it fits better. I'd like to direct you to the Investor Relations section of our website, where we posted a schedule that reflects our revised full year 2019, 2020 and 2021 results as well as our revised 2021 quarterly results in the manner we will begin reporting in 2022.

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 related to the COVID impact and other risks discussed in reports and filings that we provide from time to time to regulatory agencies. You may access these documents on our website or by contacting our Investor Relations department.

Let me now turn it over to Steve Hasker.

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

Thank you, Frank, for the introduction, and thank you for all that you have done for Thomson Reuters for over 18 years, and welcome to Gary. Thanks to all of you for joining us today.

I'm pleased to report the momentum we saw in the first 9 months of the year continued in the fourth quarter. Revenue and sales growth were again strong, exceeded our expectations, and we closed out the year on a solid footing. This performance has created momentum as we started 2022. And it has helped build our confidence as we work to achieve our 2022 and 2023 targets. We are increasingly in a position of strength.

Since March 2020, when COVID began to negatively impact the global economy, professional markets have remained resilient and continued to grow, helped by a significant global shift by our customers to upgrade Legal, Tax and Risk, Fraud & Compliance products. Customers also continued to exhibit more confidence in their own future prospects. And our products are proving well suited to enable our customers to effectively serve their clients, targeting investment in products that are driving faster growth and where we have strong positions in growing markets.

This dynamic enabled us to achieve 5% organic revenue growth for the full year 2021, the highest growth rate in over a decade, while also improving our underlying profitability and free cash flow. Our fourth quarter results reflect an improving performance. 4 of our 5 business segments again recorded organic revenue growth of 6% or greater and total company organic revenues grew 6%.

We continue to make steady progress with our Change Program as we transform to a content-driven technology company. And we have achieved over $200 million in savings thus far, 1/3 of our $600 million target. We also achieved all of our 2021 guidance targets that we increased throughout the year.

Given the momentum in the business and our growing confidence, today, we increased our 2022 and 2023 guidance from what we provided at this time last year. And finally, this morning, we announced a 10% increase in our annual dividend to $1.78 per share, the 29th consecutive annual increase and the largest increase since 2008.

Now for the results for the quarter. Fourth quarter reported and organic revenues were up 6%, attributable to strong results from the Big 3 businesses in Reuters. And similar to the last quarter, this performance included strong organic growth of more than 20% from our Latin American businesses and nearly 10% growth from our Asia and Emerging Markets businesses.

Adjusted EBITDA declined 14% to $452 million due to cost related to the Change Program, higher performance bonus expense and a discretionary investment of $25 million to better position the business for 2022, which Mike will discuss. This resulted in a margin of 26.4%. Excluding Change Program costs, adjusted EBITDA margin was 31.1%. Adjusted earnings per share for the quarter was $0.43 compared to $0.54 per share in the prior year period. The additional $25 million we invested in the quarter lowered adjusted EPS by $0.04.

Turning to fourth quarter results by segment. The Big 3 businesses achieved organic revenue growth of 7%, reflecting strength across each of the businesses. U.S. Legal market was very healthy throughout 2021. And our performance benefited from that dynamic. Legal's fourth quarter performance was again impressive with organic revenue growth of 6%, the third consecutive quarter of 6% growth.

Full year revenue growth was also 6%, the highest annual growth rate since 2008. Sales was strong throughout the year, including Q4. We exited the year in a good position, recording double-digit recurring sales growth in Q4, reflecting customers' willingness to invest in productivity-enhancing product. For example, Westlaw Edge continued to achieve strong sales growth in the end of the quarter with an annual contract value, or ACV, penetration of 65%, achieving the top end of our guidance with more opportunity in 2022 with a target of 70% to 75% penetration and the expected launch of Edge 2.0.

Second, Practical Law, as reported in the Legal segment, had a terrific quarter and year, growing mid-teens in both periods. We forecast another strong performance in 2022 for Practical Law as we continue to invest in this key legal workflow initiative. Third, our Government business, which is managed within our Legal segment, grew 7% organically in Q4 and 9% for the year and achieved strong sales in Q4, setting it up well for strong growth in 2022. And fourth, our Legal businesses in Canada and Asia grew double digits in the quarter while Europe grew mid-single digits.

Turning to the Corporates business. Organic revenue growth continued to accelerate and was up 7% from 6% in Q3 and 4% in the first half of the year. This improvement came from increasing demand for customers for our Legal, Tax and Risk products. And Tax & Accounting had a terrific quarter and year with organic revenue growth of 9% for both periods and strong Q4 sales. This performance was stronger than expected, thanks to UltraTax, our audit solutions product, and a strong performance by our Latin American tax business, Dominio, that grew more than 20% for the year.

Reuters News organic revenues increased 12% in Q4 with growth across all of the business lines, particularly the Professional business, which includes digital advertising, custom content and Reuters Events, which continues to recover from the negative impact of COVID-19 in 2020. And finally, Global Print organic revenues declined 4%, more than expected due to a continued gradual return to office by our customers and higher third-party print revenues.

So in summary, we're very pleased with our results, and we're very excited about the momentum we're building. We expect further improvement to our performance this year as we invest to further strengthen our positions across the business segments.

Full year reported revenues were up 6% and organic revenues were up 5%, thanks to strong results from the Big 3 businesses in Reuters. Adjusted EBITDA declined slightly and was just shy of $2 billion due to cost related to the Change Program and higher performance bonus expense, resulting in a margin of 31%. Excluding Change Program costs, adjusted EBITDA margin was 33.9%, about 100 basis points higher than 2020. Adjusted earnings per share for the year was $1.95 compared with $1.85 per share in the prior year.

Now let me discuss several of the key contributors to our accelerating growth and improving prospects. During our Investor Day in March last year, I shared with you that we're investing in 7 strategic growth priorities with the Big 3 segments. These businesses grew 6.5% on a combined basis in 2021 with several growing double-digit and our foundational Westlaw product up 4%.

We continue to believe that our opportunity is about powering the world's most important professionals. And we're helping forge their future through digital automation, augmentation and collaboration, powered by a combination of unique content, world-class AI and machine learning and best-of-breed workflow software. And these products do precisely that.

Against this frame, we'll continue in investing heavily in these strategic priorities, and we'll continue to shift the proportion of capital investment allocated to these initiatives. These investments are expected to continue to help accelerate organic growth and enable us to achieve our revenue growth target of 5.5% to 6% in 2023.

M&A is also expected to play an important role in accelerating our organic growth and priorities. And we have an active pipeline of potential future acquisitions across our core segments. Additionally, we recently launched our new Thomson Reuters venture fund, which will invest up to $100 million of seed funding to start-up companies to cultivate innovation and expand our M&A pipeline.

Let me finish on the financials for full year by noting that we met or exceeded each of our 2021 guidance metrics, which reflects the resilience of the business and the visibility we have in our businesses and markets. I would now like to update you on the progress related to our Change Program, including highlighting the progress from our product and innovation teams.

You will recall, I presented this slide at our Investor Day last year. And it's as relevant today as it was then. We continue to benefit from fundamental and prevailing tailwinds due to increasing legal, tax and regulatory complexity, which favors business information services markets and providers. And as we enter the third year of the pandemic, its lasting impact on the market segments we serve is becoming clearer.

Digital transformation has accelerated, driven by virtual working and client demands to engage digitally with the firms and departments that serve them. It's unlikely to be a passing fad. Hybrid and virtual working is here to stay, which is increasing customer expectations of digital experiences. And demand for content-enabled, cloud-based, AI-powered solutions that drive professional efficiency and effectiveness continues to grow. Hesitation to embrace new technologies in our core -- in our more traditional customer segments is giving way to an appreciation of the benefits to be gained from doing so.

And our goal of becoming a content-driven technology company includes excelling at product innovation and successfully integrating our products to provide customers with a seamless offering while delivering an excellent customer experience. We believe this approach will further improve customer loyalty and increase retention as we continually enhance our products, adding to organic growth. Our Change Program is targeted at achieving these objectives. And we're making good progress.

Let me share several examples of that progress. I won't take you through each of the items on this slide. Rather, I want to highlight the progress we've made last year in transforming to a more integrated, simple, agile company. We are reducing complexity in our operations and technology group, which is critical for us to achieve the Change Program goals and margin targets.

We've made significant progress, which you can see on this slide, including 37% of our revenue is now on a cloud solution, and we're on track to achieve our target of 90% of our revenue available in the cloud by the end of 2023. SMB digital sales increased to 29% as a percentage of total sales.

Improving our internal process within order-to-cash has reduced customer-facing incidents, invoice rework and have brought together our product, content and editorial strategies to improve customer delivery and drive efficiencies. Each of these achievements are critical if we are to simplify and improve the customer experience we provide. We also reduced our global footprint of office locations from 102 to 46 and our call centers from 99 to 77.

And one additional point here. Talent is key to completing our initiatives. And our goal is to build the best team in business information services by developing and attracting top global talent and delivering a differentiated employee experience. Over the past 2 years, we have brought in new key talent into our organization within product, engineering, marketing, data and analytics, design, operations and technology, amongst other key areas, adding talent with different perspectives and approaches, which have complemented the skills and experiences of existing leadership. I'm very, very pleased with the progress we're making.

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A few additional points regarding the Change Program. We made progress towards shifting customers to a more digital, automated experience with the launch of self-serve capabilities and automated tools for support. Delivery of the customer experience of the future is underway. And our goal remains to create fast, frictionless, connected, transparent and personalized customer experiences.

Our key areas of focus continue to be: first, a digital-first approach for small customers; second, a 360-degree view of the customer; third, simplified and standardized commercial terms, billing processes and customer support; fourth, seamless digital product trials and digital purchasing; and fifth, data-driven and AI-powered sales and marketing. We expect these changes to redefine our customer experience to match their expectations by the end of 2023, by which time a large portion of customer-facing sales, sales operations and support could be digitized and automated.

The impact of this should be twofold. First, we believe delighting our customers will translate to improved Net Promoter Score, leading to improved retention and new sales opportunities. And second, decreasing the cost to serve customers enables us to reallocate funds to pursue new organic growth opportunities, improving our agility to test new product ideas quickly with customers, which we believe would lead to further improvements in the top and bottom lines.

So let me now turn to product innovation. Last year, we ramped up our focus and our investments in product innovation, and we will continue to do so. We expect new products and product enhancements will be a key lever to accelerate revenue going forward. And our product development teams are making good progress. Entering 2022, the product organization is prioritizing resources where we can build and maintain leadership positions and support fewer products, a shift from our historical approach of making small investments in many products.

The organizational design model enables us to work as a better integrated, more effective team, moving from an organization with data to a data-driven organization. Our content is a significant competitive advantage and differentiates us against our key competitors. The new product organizational structure we formed last year positions us to achieve greater success by leveraging that valuable content, enriching it with world-class AI and machine learning and best-of-breed software and delivering it in the cloud.

Investing in an improved user experience across our products is another important priority so that our customers can interact with our content with minimal points of friction. And we're increasing investments in our people as well as our technology and product organizations to expand and accelerate innovation and speed to market. We believe this will enable us to continue to be leaders within our core market segments and allow us to expand into adjacent market opportunities.

And lastly, here are some examples of products and initiatives in which we're investing that are contributing to higher organic growth. Practical Law and Indirect Tax, 2 of our strategic 7 initiatives, released new and enhanced product modules last year, which were well received by customers. And we expect they will again contribute to higher organic revenue growth in 2022 and beyond. We also made good progress last year forming a centralized partnership team, led by our Corporates group, which we are seeing good traction having signed partnership agreements with Oracle, SAP, AWS and Alteryx.

And in 2021, we accelerated the work we're doing to provide our content and workforce solutions to customers via our APIs. For 2022, we'll accelerate and expand our API ecosystem, where we can improve the experience for both existing and new customers. We're confident this will open up new channels, new business models and new product offerings and will help grow our partner ecosystem. And as our capabilities surrounding APIs continue to grow, it will enable us to further integrate our best-in-class content and solutions into our customers' workflows, contributing to our growth.

Before I turn it over to Mike, let me discuss our updated guidance for 2022 and 2023. I am very pleased to report that given the positive trajectory of the business, we're increasing our revenue, adjusted EBITDA margin and free cash flow guidance from that which we provided at Investor Day in March 2021.

We now forecast total company organic revenue growth of approximately 5% for 2022 and 5.5% to 6% for 2023. Let me remind you that 2021's organic revenue growth of 5% included about 100 basis point benefit from easier year-over-year comps related to COVID-19 items in 2020. Big 3 organic revenue growth is forecast between 6% and 6.5% in 2022 and 6.5% to 7% in 2023. We forecast an adjusted EBITDA margin of 35% for 2022 and between 39% and 40% for 2023. And free cash flow is now forecast at about $1.3 billion for 2022 and between $1.9 billion to $2 billion with free cash flow per share between $3.90 and $4.10 for 2023.

I'm confident we'll achieve these higher targets. And let me now turn it over to Mike.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

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

Revenues were up 7% organically and at constant currency for the quarter. This marks the sixth consecutive quarter our Big 3 segments have grown at least 5%. Legal Professionals' total revenues increased 5% and organic revenues increased 6% in the fourth quarter. Recurring organic revenue grew 6% and transaction revenues increased 6%.

Fourth quarter organic revenue growth was driven by Practical Law, Elite, FindLaw and our Government business. Westlaw Edge added about 100 basis points to Legal's organic growth rate, is maintaining a healthy premium and is expected to continue to contribute at a similar level going forward, supported by the planned release of Edge 2.0 during the second half of this year.

Our Government business, which is reported within Legal and includes much of our Risk, Fraud & Compliance businesses, grew 7% for the quarter and 9% for the year and exited Q4 with strong sales and good momentum entering 2022. Quarter-to-quarter performance can vary for this business, given the government contracting process, project work and fiscal year funding from the various agencies. We believe 2022 will be another year of healthy revenue growth, supported by strong Q4 2021 sales.

In our Corporates segment, total and organic revenues increased 7% for the quarter due to recurring organic revenue growth of 7% and transactions organic revenue growth of 4%. Recurring revenue was driven by CLEAR, Practical Law, Indirect Tax and Legal software as well as our businesses in Latin America. And finally, Tax & Accounting's total and organic fourth quarter revenues grew 9%, driven by 9% recurring organic revenue growth, thanks to strong performance in our Audit Solutions and Latin America businesses. And transactions organic revenue increased 10%.

Moving to Reuters News. Fourth quarter performance was very strong with total and organic revenue growth of 12%. Reuters achieved growth across all business lines, including the bounce-back in the Events business as it continues to recover from the negative impact from COVID in 2020. In Global Print, total and organic revenues declined 4%, better than expected. On a consolidated basis, fourth quarter total and organic revenues each increased 6%.

Before turning to profitability, let's look closer at recurring and transaction revenue results for the fourth quarter. Starting on the left side, total company organic revenue for the fourth quarter 2021 was up 6% compared to 2% in the prior year period, which was impacted by COVID.

Fourth quarter 2021 performance for the Big 3 was strong with organic revenues up 7% compared to 5% in the same period last year. This was partly driven by strong performance in the Corporates segment, which grew 7% organically compared to 3% in Q4 2020. Total company recurring organic revenues grew 6% in Q4, 110 basis points above Q4 2020 with Big 3 recurring organic revenues up 7%, above last year's fourth quarter growth of 6%.

Turning to the graph on the bottom right of this slide. Transaction revenues in Q4 were up 16% compared to the prior year period, when COVID affected our implementation services and the Reuters Events business. We continue to remain encouraged by our momentum in 2021, especially for recurring revenues. This gives us confidence in the trajectory of the business and our ability to achieve our 2022 growth targets.

Turning to our profitability performance in the fourth quarter. Adjusted EBITDA for the Big 3 segments was $488 million, down 2% from the prior year period, driven by higher performance bonus expense. Fourth quarter costs also included a discretionary investment of $25 million related to go-to-market initiatives, product development initiatives and data and analytics tools to support the customer experience to better position us for 2022. I will remind you the Change Program operating costs are recorded at the corporate level.

Moving to Reuters News. Adjusted EBITDA was $15 million, $9 million more than the prior year period, driven by revenue growth. Global Print's adjusted EBITDA was flat at $61 million with a margin of 35.9%, 130 basis points higher than Q4 2020. So in aggregate, total company adjusted EBITDA for the quarter was $452 million, a 14% decrease versus Q4 2020.

Excluding costs related to the Change Program, adjusted EBITDA increased 1%. Fourth quarter's adjusted EBITDA margin was 26.4% and was 31.1% on an underlying basis, excluding costs related to the Change Program. For the full year, total company adjusted EBITDA margin was 31%. Excluding costs related to the Change Program, full year adjusted EBITDA margin was 33.9%.

Now let me turn to our earnings per share and free cash flow performance. Starting with earnings per share, adjusted EPS was $0.43 per share versus $0.54 per share in the prior year period. Of note, fourth quarter adjusted EPS was reduced by approximately $0.04 due to the additional $25 million investment in Q4.

Let me now turn to our free cash flow performance for the full year 2021. Finished the year on a strong footing and exceeded our guidance, thanks to strong cash collections in Q4. This performance reflects the momentum of our businesses as we transition into 2022 and continue to execute on the Change Program initiatives. Reported free cash flow was $1.3 billion, $74 million lower than in 2020. Consistent with previous quarters, this slide removes the distorting factors impacting free cash flow performance.

Working from the bottom of the slide upwards, the cash outflows from the discontinued operations component of our free cash flow was $51 million more than the prior year. This was primarily due to payments to the U.K. tax authority related to our former Refinitiv business. For the full year, we made $166 million of Change Program payments as compared to Refinitiv-related separation cost of $95 million in the prior year. So if you adjust for these items, comparable free cash flow from continuing operations was just shy of $1.5 billion, $189 million better than the prior year. This increase was primarily due to higher adjusted EBITDA and dividends from our interest in LSEG.

We'll now provide an update on our Change Program progress. In the fourth quarter, we achieved $85 million of annual run rate operating expense savings. This brings the cumulative annual run rate operating expense savings to $217 million for the Change Program, which exceeds our target of $200 million. This puts us more than 1/3 of the way toward achieving our goal of $600 million of gross savings by 2023. As a reminder, we anticipate reinvesting $200 million of the projected $600 million savings back into the business for a net savings of $400 million.

Now an update on our Change Program costs for the fourth quarter and full year 2021. Spend during the fourth quarter was $125 million, comprised of $78 million of OpEx and $47 million of CapEx. For the full year, Change Program OpEx and CapEx spend totaled $295 million, at the lower end of the range of $290 million to $320 million we have forecast last year. Spend is forecast to step up in 2022 related to cloud migration, streamlining internal systems and product engineering. We are still expecting to incur approximately $600 million over the course of the program. And there is no change in the anticipated split of about 60% OpEx and 40% CapEx.

I'll now provide an update on our capital structure at year-end. As you can see, our capital structure and liquidity position remained strong as we exited 2021. We generated $1.3 billion of free cash flow last year. We had $0.8 billion of cash on hand at December 31. We have an undrawn $1.8 billion revolving credit facility. And we also have a $1.8 billion commercial paper program. From a liquidity and capital structure standpoint, we entered 2022 in a very strong position. And we would like to put that capital to work to further accelerate our growth. We continue to evaluate potential acquisitions within our core markets and have the ability and desire to move quickly if an opportunity presents itself this year.

One final point. We received notices from the U.K. tax authorities requiring us to pay about $80 million in March related to an ongoing tax matter. While we believe we will prevail on these issues and be refunded substantially all the payments, including those made last year, we are required to pay the amount upfront while contesting them. Any payment would not reflect our view of the merits of the case as we believe our position is supported by the weight of law.

Regarding our investment in the London Stock Exchange Group. The pretax value of our 72.4 million shares is currently $7 billion, or an estimated $14 per share in TR stock price. In March 2021, we sold 10.1 million shares to pay taxes related to the transaction. We expect to receive dividends from LSEG of more than $75 million in 2022 based on LSEG's current annual dividend payout. I will remind you, dividends from the investment are part of our free cash flow.

We remain subject to a lockup for our LSEG shares until January 30, 2023. At which time, we can sell approximately 1/3 of the shares. The remaining 2 tranches can be sold in January 2024 and 2025. We view our equity interest in LSEG as a store value, which we expect to continue to monetize over time, which provides us with a significant level of financial flexibility related to the use of proceeds.

And finally, today, we announced a 10% annualized dividend increase, the largest percentage increase since 2008, taking our annual dividend to $1.78 per share, up $0.16 per share from $1.62. This also marks the 29th consecutive year of annual dividend increases for the company. The increase will be effective with our Q1 dividend payable next month. These annual dividend increases speak to the solidity of our business and consistent and growing free cash flow generation.

We'll now turn to our outlook for 2022 and 2023. As Steve mentioned, we are increasing our guidance for both years since we expect to continue the positive trajectory for all key metrics. Organic revenue is expected to continue its upward trajectory as we work to become a consistent and sustainable mid-single-digit grower. We forecast organic revenue growth of about 5% in 2022 and 5.5% to 6% in 2023.

Key drivers include continued investment in our 7 strategic priorities, and delivering on our digital and sales effectiveness work streams and the Change Program. We forecast the Big 3 organic revenues to grow between 6% and 6.5% in 2022 and between 6.5% and 7% in 2023. We also believe our Legal business can grow 5% to 7% over the cycle versus the 5% to 6% we mentioned at Investor Day last year with continued margin expansion.

Turning to adjusted EBITDA margin and free cash flow. Our guidance in 2022 reflects the dilutive impact of the Change Program investments. We forecast adjusted EBITDA margin in 2022 will increase to about 35% with an underlying margin of over 37%, putting us on a path to achieve our 2023 margin target of 39% to 40%.

Free cash flow is expected to be approximately $1.3 billion in 2022 and includes Change Program spend of over $300 million. Free cash flow is expected to increase to between $1.9 billion and $2 billion in 2023, driven by higher revenue growth and savings and efficiencies from the Change Program.

Let me conclude with our updated and detailed guidance for 2022 and 2023. This slide includes the guidance we provided in February 2021, enabling you to compare the changes and raised guidance. I will also note, we expect our first quarter revenue growth rate and adjusted EBITDA margin to be comparable to our full year 2022 guidance targets.

Now the guidance metrics on the slide are self-explanatory. But I would like to address the outlook for our effective or book tax rate and our cash tax rate for 2022 and 2023 based on current tax law. In 2021, our effective or book tax rate was 14% and included a 200 basis point benefit from the reversal of reserves for prior tax year. This benefit will not reoccur in 2022.

We also forecast in 2022 minimum taxes this year, which bumps the expected ETR up to between 19% and 21%. Looking to 2023, we expect our ETR to decline to the upper-teens. And as a rule of thumb, our cash tax rate is forecast to be approximately 5% below our book or effective tax rate. This is fully reflected in our 2023 free cash flow guidance of $1.9 billion to $2 billion.

To conclude, our confidence in achieving our 2022 and 2023 guidance has only increased from 1 year ago. We continue to believe we can achieve faster revenue growth, higher profitability, lower capital intensity and significantly higher free cash flow as we benefit from transitioning to a content-enabled technology company.

Now let me ask Steve to wrap up before we turn to your questions.

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

Thank you, Mike. I will conclude by saying that we're very pleased with our 2021 performance, but we still have much more work ahead. Our confidence is strengthened by our 2021 organic revenue, and we have good momentum entering 2022.

The Change Program is progressing well. And we're confident in achieving our $600 million savings target and our $100 million incremental revenue target. We have numerous levers to pull that should help us accelerate our growth. And we're building a strong leadership team with new talent that's brought different perspectives, which complemented the skills of existing leadership and has energized our teams.

And lastly, to elevate our ambition, we kicked off the year with confidence by announcing our new company purpose, which is to inform the way forward. This unites our commercial strengths, the critical role we play in society. Customers and employees have responded very positively to this, redoubled commitment to serve professionals, advance critical institutions and to build trust through our products and with our actions.

Let me now turn it back over to Frank.

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

Thanks very much, Steve and Mike. And that concludes our prepared remarks. And we'd now like to open the call for questions, operator, so if we could have the first question, please.

QUESTIONS AND ANSWERS

Operator

So your first question is from the line of Drew McReynolds of RBC Capital Markets.

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

And Frank, I want to wish you all the best. You've been just great to work with over the years. So all the best. And of course, welcome, Gary, as well.

Just with respect to the 2022 and 2023 outlook, maybe a question for you, Steve. Obviously, coming off a upwardly revised 2021, so good to see the upwardly revised on the upwardly revised. Just wondering from your perspective, if you go back a year from now, you provided 2021 guidance and you upwardly revised through the year.

Is it kind of a similar setup here when you look at 2022? Because it certainly sounds like the net sales environment is still quite strong. And of course, you have very good visibility on how that flows through. And then just a second quick question for you, I guess, Mike, just on the buyback, just your latest thinking there, good to see the buyback in Q4. Just wondering what your thoughts are for 2022.

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

Thanks, Drew. You're right. Net sales performance is strong. It's building momentum and it's giving us confidence. And you're also correct in sort of pointing to the visibility that, that provides us into our business. So as I said in my remarks, we're entering 2022 with real confidence. We've also got a lot of work to do. So we're halfway through the Change Program. We are on track for all work streams, ahead with a couple of work streams. But we're yet to really see it translate to the customer experience.

And of course, we're still navigating virtual and hybrid working environments and entering the third year of pandemic. So we believe that the Change Program is going to gen up Thomson Reuters with the capabilities required to provide a fundamentally improved customer experience. And that will fuel our growth. And we're very excited about that future. But we're also contending with a number of the macro challenges. And as I said, I'll hand over to Mike for the buyback question.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Drew, in regards to the buyback, I'll start, we're certainly in a highly advantaged position because of the strength of our balance sheet. As you mentioned, we completed the $1.2 billion buyback in Q4 of 2021. Our focus currently today is certainly completing the Change Program in 2022 by continuing to accelerate our organic growth on a sustained basis.

And we'd like to use our capital capacity to further accelerate or supplement our organic growth. So as we look at 2022, Drew, we're looking to put the capital to work in regards to acquisitions to supplement our growth. Buybacks are currently not contemplated at this point. Certainly, we have a lot of flexibility and options. But we'll remain focused on accelerating our growth via acquisitions.

Operator

And your next question is from the line of Vince Valentini of TD Securities.

Vince Valentini - *TD Securities Equity Research - Analyst*

My congrats to Frank as well, and all the best to you. Your stock is up like 4% to 5% today, which may surprise you. It surprises me a little bit, given the strength of the revenue and the increased guidance. I think there may be a bit of concern about these extra costs in the fourth quarter. So Mike, I'm hoping you can flesh that in a bit more detail.

Both the extra compensation costs you talk about, is this some sort of one-off? Or is this a new run rate? And then the $25 million, I'm not sure I fully get it. It's not part of the Change Program, but it's related to go-forward improvements in sort of sales and service capabilities. And technically, was that in the Corporate line? Or was that spread across the other 3 or 5 divisions?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Vince, multiple good points there. Let me just break those down one-by-one. And if I miss one, keep me honest here, Vince, as we go through. Let me start with the performance bonus expense, Vince. That relates to our 2021 annual incentive plan, upon which there are three levers equally weighted: organic revenue, book of business and cash OI, which is EBITDA less capital expenditures.

If you go back a year ago, our organic growth rate guidance was 3% to 4%. We ended at 5.2%. Our free cash flow, which is a key lever for our long-term incentive, that target was $1 billion to $1.1 billion. We ended up at $1.3 billion. So if you look at our performance bonus expense for full year 2021, that diluted our full year margin by about 100 basis points. So that's truly a result, Vince, as a result of our performance in 2021, whereby we exceeded our management plan, which governs our annual incentive plan and also governs our long-term incentive plan. So that's truly based on the results that we incurred in 2021.

Second point, in regards to the Change Program, we still remain committed to investing $600 million in aggregate for 2021 and 2022. We spent less in 2021 than originally forecasted. That favorability will shift to 2022 to ensure that we do as much as we can to continue to improve the underlying customer experience, which should accelerate our organic growth.

Thirdly, in regards to the $25 million, that was truly opportunistic on our part. Vince, we, in partnership with Brian Peccarelli and our segment leaders -- and by the way, this $25 million is within our respective segments and functions, it's not part of Corporate. We viewed it as an opportunity to start 2022 strong. We didn't have to do it. But it enabled us to invest more in our sales resources, our marketing resources. And also with David Wong, our Chief Product Officer; Shawn Malhotra, who leads engineering; and also with Kirsty Roth, Glenda Crisp on the data and analytics.

So the additional investment, Vince, in Q4 was truly discretionary, was very optimistic in our standpoint to help us continue our momentum and progress in 2022. I, from my perspective, Vince, am not concerned about that. I think there's too much of a pivot. We have a clear line of sight to achieving our 2022 EBITDA margin of approximately 35%. And also, we have equal confidence in achieving our 2023 EBITDA margin of 39% to

40%. There certainly has been a hell of a lot of focus on us accelerating our organic growth. We did that in Q4. We had an opportunity to do investments to sustain that growth, and not apologetic.

Vince Valentini - *TD Securities Equity Research - Analyst*

Actually, can I just clarify on the compensation impact of 100 basis points? Is that a bit of a timing issue because the targets weren't fully met in 2020 for reasons that may have been beyond management's control? But are you sort of snapping back to a full year of all those performance bonuses being paid? So if I look forward to '22, even if you meet all your targets, it won't be another 100 basis point drag, it will be more of a plateau?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

That's correct, Vince. 2021 is more a plateau there. And we will get back more to that traditional in 2022. Make sure, Vince, that I addressed all your points.

Vince Valentini - *TD Securities Equity Research - Analyst*

I think you did.

Operator

And your next question is from the line of Toni Kaplan of Morgan Stanley.

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

This is Greg Parrish on for Tony. Just wanted to get your thoughts on the legal market going into '22. Demand seems strong but some wage inflation at law firms. How are you seeing the puts and takes there? I guess, on one side, you're helping them manage cost. I think you called out Elite as doing well in the quarter. But maybe there's some pressure, just wanted to get your thoughts there.

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

There is indeed pressure. We're seeing across our legal customer base, the more firms move in, the largest global firms or mid-tier or smaller, sole practitioners, there's inflationary pressure across. But for us, this is a catalyst for providing additional value to our customers and future growth. And let me explain why.

Our tools improve the efficiency and effectiveness of the existing legal staff. And I think it's fair to say the single biggest pressure that the law firms face is that wage inflation. And the second biggest is burnout of lawyers. And our tools enable them to get more productivity and more output from the existing staff and enable the burnout to be managed. And there just aren't many ways to do that.

And that's -- we're starting to see that increased demand to come through for our tools, particularly tools like HighQ and Practical Law and particularly the integrations that we pointed to last quarter between HighQ, Tracker, Elite 3E. So a long way of saying this is a positive trend for us. And if we continue to innovate around our product sets provided for law firms, we'll see a significant advantage from it.

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

That's great color. And then just a quick follow-up and just stick with Legal, so Edge 2.0, if you can give any color on sort of what the go-to-market strategy is going to be. Is it going to be -- is it going to replace 1.0? Is it going to be modular? And then also 1.0 has been pretty consistent, 100 basis points uplift to growth. I mean, do you have sort of any expectations going forward? If you could just help us kind of walk through what the Edge momentum and sort of life going forward will be.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. I'll just do a special call out to David Wong, Andy Martens, Mike Dahn, who have been leading Edge and now Edge 2.0. As we go into 2022, we expect the penetration for the ACV, as we mentioned, 65% at the end of '21. That increases to 75% based on our forecast as we go through 2022. We plan to launch Edge 2.0 in the second half of this year.

So we believe the 100 basis points of organic growth lift that we've now been incurring for several quarters and years, that continues throughout '22 and '23. We have no concern with that. I hope you can respect, we're a little early to expand too much from a competitive standpoint on 2.0 at this time. I would anticipate, at the second half of the year, Paul Fischer, our President of Legal Professionals, will provide a host of external events to expand more on 2.0.

But I am headed there tomorrow with Steve to spend some time with the group. But a short closing comment there would be we are very optimistic on our ability to sustain Legal's organic growth. As I mentioned in the prepared remarks, back in a year ago, we said in 2023, we estimated 5% to 6%. We have now increased that range to 5% to 7%. And that's based on close partnership with Paul Fischer and his Legal team, along with Steve Rubley, who runs the Government business.

Operator

Your next question comes from Andrew Steinerman, JPMorgan.

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

This is Stephanie Yee sitting in for Andrew. Just had a question on the margin trajectory, I guess, from 31% in 2021 to 35% in 2022. It looks like you'll already be at kind of that 35% level in the first quarter. And I know you talked about a lot of different drivers. But I just wanted to get a little bit more color on what that step-up -- what's driving that step-up?

Because as we look to 2023, it looks like the margin that from '22 to '23 is really just taking out the Change cost. The 470 basis point drag in the fourth quarter, you're still investing in '22. So '23, we don't have those costs anymore. So kind of that step-up from '22 to '23 is, I feel, like more visible. So if you can just kind of comment on kind of going to 35% in the next year in the first quarter.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Stephanie, let me approach it from two vectors. First, from a reported, as you mentioned, 2021, that focus on reported EBITDA with the Change Program, it goes 31%, 35% and then 39% to 40%. On an underlying basis in 2021, with 33.9%, approximately 37.5% up to the 39% to 40%. If you look at the increase in 2022, a key component, Stephanie, is the continued acceleration in achieving the annual run rate operating expense savings from the Change Program. We ended 2021 at $217 million. We will approach $500 million by the end of 2022. So we will get margin expansion in 2022 as we ramp up the operating savings, led by Kirsty Roth, Andrew Pearce and the Change Program.

Second component that I would mention there, Stephanie, is the operating leverage, given that about 65% of our costs are fixed in nature. As our revenue continues to sustain and accelerate, given that operating leverage, we'll get additional flow through there. So those are two of the key drivers, Stephanie, for both '22 and '23. Part of the question there on '23, Stephanie, as a reminder, of the $600 million of operating expense savings, which we're confident we will achieve, we will begin to reinvest a portion of those in 2023 to help us accelerate growth beyond '23.

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

Okay. Great. That's super helpful. And if I can just ask a follow-up question, so you guys talked about additional interest in M&A this year. Is legal contract management solutions an area that Thomson might be interested in pursuing?

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

Stephanie, we look at a number of areas that are core to the Big 3 segments and additive to the Change Program and additive to our playbook of becoming the leading content-driven technology company. So certainly, the tools and solutions that improve the workflow within our legal customers, whether that's a law firm or a general counsel are in that solution space. And that would certainly include the contract life cycle management, amongst a number of other things, yes.

Operator

Your next question is from the line of Paul Steep, Scotiabank.

Paul Steep - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Congratulations, Frank. Welcome, Gary. Steve, could you just give maybe a higher-level view of M&A? There's more discussion around it in terms of the approach. Should we think of it more as a Pondera, Netmaster-like? Or is this larger acquisitions you're thinking of more transformative? Or are you thinking more incremental technologies to drive growth? And then I've got one quick follow-up.

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

Thanks, Paul. I would say, it's -- it will be very focused on the Big 3 and it will be more additive or incremental in nature than transformative. But by way of backdrop, we -- Mike and I took these roles at the start of 2020. We spent 2020 studying the business and with our colleagues, new and preexisting, on the Change Program.

Last year was all about the Change Program execution. And here we are halfway through. We're building confidence in that program and in our abilities as a team. And we're very focused this year on finishing the Change Program, and we will not get distracted. Because that's the key to a better customer experience and that's the key to accelerating organic growth.

Having said that, there's a couple of things in our favor. Our confidence is building. Our underlying capabilities are improving. And our capital position continues to strengthen. And perhaps even later this year, valuations may be a little bit more reasonable, who knows? That's very -- that last part is hard to predict, and we're certainly not going to bank on that.

But I would say we don't need transformational acquisitions. What we're looking for is acquisitions where we are an advantaged owner, that are additive to the Change Program or accelerants to the Change Program and help us provide a better customer experience to our existing customers and provide access to new customers. That's the laser-like focus. And we'll continue that focus through this year.

Paul Steep - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Great. And then the follow-up would just be could you remind us a little bit on the size of the GRC business today and maybe the opportunity set that it's looking at in terms of growth potential relative to the rest of the group, obviously, reflecting it's off a smaller base?

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

Yes. Our GRC business is around about $500 million, gross circa double digits. And it's, today, very government-focused under Steve Rubley's leadership, and Steve do a great team. And just as a reminder -- do a great job. Just a reminder, there is the CLEAR asset, which is a unique Risk, Fraud & Compliance data set. There is the Thomson Reuters Special Services Elite analysts, who have extraordinary capabilities and extraordinary relationships with a multitude of government agencies. And this Pondera, which is -- which prevents and -- protects and prevents benefits fraud. And then of course, there's CaseLines, which is around digital and virtual court systems.

So that is the real constellation of our risk business today. We do apply those tools to the corporate sector, but it's relatively early days, and we're making some good progress there. We view this as an enormous opportunity. We think we're one of the few companies that has the capabilities and the trust of customers and other stakeholders to handle these sensitive questions. And we think there's a very significant opportunity to extend into corporates. And so that's something that we're thoughtfully pursuing.

Operator

Your next question is from the line of Tim Casey.

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

Steve, you've consistently talked about the customer experience being the -- one of the end games to the Change Program. And you've noted that you're not there yet. Can you maybe flesh out a bit what milestones you're looking for and when you think you'll get there, given you're halfway through the Change Program and what the impact will be -- what the financial impact of those changes will be?

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

Yes, Tim, I'm happy to expand upon that. So what it isn't is just hoping that our customer service and support people get a little better at their jobs. We're not sort of relying on better sort of human interactions. What we are doing is fundamentally building and rebuilding all of the component parts and the technologies that support our customer experience. So that's everything from our initial marketing through to the digital and automated presentation of product materials and trials to sign up some authentication enablement all the way through to billing and renewal.

So there's a very heavy component of digital and self-serve that we're building in. And we think that will better enable us to serve existing customers, who are increasingly expecting those frictionless personalized experiences. And we think it will enable us to access new customers. So there's an element of addressable market growth there. In addition to that, we think better customer experience will provide us with additional firepower around price, should we decide to exercise that. And then thirdly, something Mike has talked a lot about for the past 18 months or so, which is improved retention.

And the way we think about retention is it's about customer engagement. And this is where data and analytics comes into play. The better we understand how customers are using our products today, individual products and groups of products, the better insights we'll have into the degree of engagement. And we think we can fundamentally improve our retention rates through that data-driven approach.

So I hope, Tim, that gives you a sense of why we are so focused on this. I think if you look at our company, we've had some very, very compelling products, and we've got some great people. But the experience we've provided, that hasn't been where it needs to be. And I think when we get it right, it's going to have significant financial upside for us.

Operator

Your next question is from the line of George Tong.

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

I'll also offer my congrats to Frank, and welcome to Gary. You've increased your outlook for 2022 and 2023 organic revenue growth. As you look across Legal, Tax & Accounting and Corporate, where are you seeing the most upside relative to your original outlook? And what would you say are the key drivers?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes, George, happy to start there. And of course, Steve will supplement. As I mentioned earlier in regards to Legal, with 2023, they were increasing the range from 5% to 6% to 5% to 7%, certainly encouraged there, not only by Westlaw Edge and Edge 2.0 but the full breadth of the offerings that we have, including Practical Law and the Government Elite, FindLaw and HighQ. Tax & Accounting, 9% growth in 2021. We're very encouraged by the work that Elizabeth Beastrom, President of Tax & Accounting Professionals. So she and her team made the recent talent additions there.

Corporates, we saw them accelerate their growth throughout 2021. It was about 4% during the first half of '21, accelerated to 6% in Q3, 7% in Q4. And we expect they'll sustain that throughout 2022. Within the Reuters business, we don't expect 12% there every quarter, but very pleased with stabilizing the Reuters Events business there. And I think Print will continue at kind of the mid-single-digit declines there. But Legal, on a good run, Tax on a really good run and Corporates is showing really good momentum as we exit Q4 and begin Q1.

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

Yes. Just to add to that, George, I think one of the things that makes me excited about being here at Thomson Reuters and about our prospects over the next few years is that we're not reliant on any one particular product or any one particular segment to achieve the growth rates that we've set out to meet our longer-term organic growth expectations. And I think that seems (inaudible).

We see the integration of information and software research and software and legal fundamentally change the way lawyers do their work. It's a big opportunity for us. And particularly coming out of COVID, I think that's going to be there. We see it reasonably the same in Tax & Accounting Professionals as they look to streamline and make more (inaudible) the tax return preparation process and enable them to serve their customers with advisory-type services.

And then in Corporates, I've commented a number of times before, this is pretty new for us. It's a sizable business. But it's not one as a company that we've been focused on for many, many years. We have a very talented leadership group under the leadership of Sunil Pandita in Corporates. And we're excited about where they'll take this business.

And then Mike's commentary on Reuters, lots of opportunities for us to grow in Reuters in appropriate ways to better serve Refinitiv, to better serve the agency customers and a broad set of professionals, including [royalty tax income] and risk professionals. If we look across (inaudible), we probably see the most upside in Corporates but certainly a nice diversified set of growth options.

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

Got it. Very helpful. Historically, Westlaw Edge has contributed about 100 bps to organic revenue growth in Legal. As you look to launch Edge 2.0, would you expect that to extend the runway of the 100 bps of organic growth contribution? Or should it drive increased contribution to Legal organic growth?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes, George, our current position is that we'll be able to sustain the 100 basis points of growth that we've now achieved for many quarters and couple of years there. So the best assumption is that the 100 basis points of growth will continue longer term with Edge 2.0.

Operator

Your next question is from the line of Aravinda Galappatthige, Canaccord Genuity.

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

All the best to Frank, my congratulations as well. I wanted to just touch on the international opportunity. I mean, in most of the recent quarterly results commentary, you've been talking about the contributions to each of the divisions from the various international markets, Lat Am, in particular, I was wondering whether you sort of summarize that a little bit for us. As we look ahead, what's sort of the magnitude of the opportunity mid- to longer term? And what are the limitations, given some of the jurisdictional differences? Maybe you can sort of spend a moment on that.

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

Thanks, Aravinda. It's Steve, I'll start and I'm sure Mike will add, too, comments. So look, as a company, Thomson Reuters have had a lot of experience in the international markets over time. I personally have had a lot of experience in the international markets. And one of the rationale I would make is that international is a bit of a misnomer. In businesses like ours, it is country-by-country. And it's a question of having unique content and support that with AI and machine learning and software to deliver those solutions to customers.

As Mike has outlined over the last couple of quarters, we have a very strong position in Latin America, particularly in Brazil and particularly in Tax & Accounting, we have a very strong team here. They have performed under all weather conditions in recent years. And we expect them to continue to do so. And we've invested behind it, and we will continue to do that. There's some interesting growth opportunities there, to say the least, to help our Tax & Accounting customers serve their clients better.

We think that's a substantial growth opportunity. And we think there's opportunity to expand in countries like Mexico, where we have a very modest starting position and some big aspirations. We enjoy a good starting position in Asia and Emerging Markets, particularly in Australia and New Zealand, where our Asian business is based. And as we look north from that base, we like to look at opportunities in a number of Southeast Asian markets and in markets like Japan. The strength of our solutions, we think, will play well there over time.

And the other place where Sunil Pandita has invested in new leadership and talent is in Europe in the corporate sector. And we're starting to see some promising signs in markets such as the U.K. and Germany. So as we look across, we're going to be selective in terms of the markets we go after. And we want to make sure that where we invest in a market, we make our mark and we achieve a #1 or #2 position in the places we play. But if you look at our starting point today, it's 80-20. About 80% of our revenues come from the United States. And that, I think, sort of leads you to a pretty big international growth opportunity over time.

Operator

Your final question is from the line of Sami Kassab of BNP Paribas.

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

And thank you, Frank, for being the last question and many thanks for all your support for these many years. I have two questions, please. The first one is on the small and medium business opportunity. It looks as if getting into the long tail of SMEs is a significant part of how you want to drive growth. Can you provide a little bit of color in terms of the share of revenues from the SME market across the Big 3 divisions, please?

And the second question is on labor cost inflation. There's a lot of talk around and some indication and the like. Can you comment on what type of unit labor cost inflation you have assumed in the '22 and '23 margin guidance? And to what extent is that difference from what you've seen in '20 and '21?

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

Yes. Thanks, Sami. It's Steve. I'll start and -- with the first SMB question. And then Mike will add to that and answer the inflation question. So the SMB opportunity, about 35% of our revenues today come from small firms, whether they're small law firms, small tax and accounting firms or small to medium enterprises in the conventional corporate sense. And that's more heavily weighted towards the Tax & Accounting and Legal side of things.

So we think there's a pretty big opportunity to serve the corporate side in a number of different markets, including the United States. And the approach we're taking is to lead with these investments in digital and self-serve, customer service and support capabilities because that's -- they're the ones that best serve the SMB market. So we're starting there. We're also looking hard at our products and making investments in existing products to make them better suited to the small end of town and also generating and developing new products that are specifically dedicated to those areas.

And so that's the approach we're taking. And we think that as that market segment grows, we can both grow with the segment and take some share as our capabilities have developed over time. It's also an area where we will be very opportunistic and selective in terms of M&A. If we think there's an opportunity to extend our franchise into those areas inorganically, then we'll take advance of that. Mike?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Sami, in regards to the cost inflation, let me address it from two standpoints, first, in regards to pricing and then labor. If you look at our guidance for '22 and '23, we have assumed a slight uptick in both our pricing and in our labor costs for both years. Those are reflected in our updated guidance that we provided today.

When you think about our pricing -- and just as a reminder, we have a significant level of our contracts under multiyear contracts. About 60% of Legal are multiyear, Corporates are about 40%, Tax, about 10%. So in regards to uplift in price having realized effect in a given calendar year, you have to take the multiyears into effect. But we have reflected, Sami, both an uptick in pricing and labor costs in our guidance.

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

And that will be our final question. We'd like to thank you all for joining us today, and feel free to contact myself and Gary with any follow-up questions you have. Have a good day, everyone.

Operator

Thank you, everyone, for joining. That concludes your call. Please disconnect your lines, and enjoy the rest of your day.