Ladies and gentlemen, thank you for standing by. Welcome to Thomson Reuters’ fourth-quarter and full-year 2018 earnings call. As a reminder, today’s conference call is being recorded. I’d now like to turn the conference over to Frank Golden, Senior Vice President of Investor Relations. Please go ahead, sir.

Frank Golden - Thomson Reuters - SVP of IR

Thanks very much. Good morning, everyone, and thanks for joining us today. Our CEO Jim Smith and our CFO Stephane Bello will review the results for the fourth quarter and the full year in a moment and they will also discuss our outlook for 2019 and 2020. When we open the call for questions we’d appreciate it if you’d limit yourselves to one question each to enable us to get to as many questions as possible.

Now as a reminder, we no longer control Refinitiv given that we own 45% and, beginning with the fourth quarter, Refinitiv’s results are accounted for as an equity method investment on our income statement. As a result Refinitiv isn’t included in our adjusted earnings nor in our adjusted earnings per share as of the fourth quarter.

Finally, on our website today we have posted our quarterly results for 2018 as well as our full-year 2017 and 2016 results reflecting our new segment structure, so you can access that information again on our website.

Now throughout today’s presentation when we compare performance period on period we discuss revenue growth rates before currency as we believe this provides the best measure to measure the underlying performance of the business.

Today’s presentation contains forward-looking statements. Actual results may differ materially due to a number of risks and uncertainties discussed in reports and filings that we provide to regulatory agencies. You can access these documents on our website or by contacting our Investor Relations department. And with that I’d like to now turn it over to Jim Smith.
Jim Smith - Thomson Reuters - President & CEO

Thank you, Frank, and thank all of you for joining us today. Today I plan to recap several highlights from 2018. I will review our results from the fourth quarter and I’ll finish up discussing our priorities for this year, including our outlook for 2019 and 2020. So let’s begin.

2018 was truly a watershed year for the Company. One year ago the task ahead of us seemed daunting. We entered the year with a 1% growth business, a highly complex transaction to execute, significant stranded costs to resolve, and a major repositioning of the go-forward business on the horizon.

What a difference a year can make. As we enter 2019, I am pleased to report that we have successfully executed against all of our key objectives. We have of course closed the transaction with Blackstone, successfully completing the separation of our Financial business from Thomson Reuters and launching Refinitiv smoothly. We have also restructured the Company to a customer focused segment structure and reframed our opportunity around meeting our customers’ evolving needs, including better efficiency tools and a growing shift from content to software.

And lastly we have repositioned the new, in quotes, Thomson Reuters and begun executing on a clear growth strategy, building from the important 3% organic growth rate that we achieved in the second half of 2018.

Now any one of these objectives would have been a lot of work for an organization to take on in any one year. So I am particularly pleased that, through much hard work and dedication, our people successfully accomplished all of that and more. And they did not miss a step in the performance standpoint as evidenced by the stronger than expected sales and revenues for the full year.

These achievements allow us to now focus on accelerating growth by extending our leading positions in Legal, Tax and Regulatory markets. We are confident we can accelerate growth and that confidence is underpinned by a robust capital structure which is going to allow us to invest to reach new customers, to better serve and expand our relationship with existing customers, and to bolster our business through smart acquisitions.

So we are very well-positioned as we enter 2019. We exited last year with strong momentum and we feel that we have a bit of wind kind our backs for the first time in many years. And our aim for this year is to maintain the focus, pace and determination with which we ended 2018.

Now to the fourth quarter results. Overall, we continued to build on the progress we made in the first nine months of the year. Reported revenues were up 7%, which includes the first quarterly payment from Refinitiv to Reuters News under the terms of their 30-year contract. Organic revenues grew 3% for the quarter and marked the second consecutive quarter of 3% organic revenue growth.

Adjusted EBITDA was $285 million for the quarter and was down 30% as expected. The decline was driven primarily by costs related to the separation of the two companies and investments to stand up the new Thomson Reuters. Stephane will provide more detail on this later. And adjusted EPS was $0.20 versus $0.22 a year ago.

As we highlighted at our Investor Day meeting in December, we have organized the Company into five customer focused segments and this is the first quarter that we are reporting under this new structure. For the full year, total revenues grew 4% to $5.5 billion and rounded up to 3% organically. Recurring revenues are 75% of total revenues and they grew 5% organically for the full year. Transactional revenues declined 1% for the full year and represent 12% of total revenues. And Global Print revenues declined 3% for the full-year and constitute 13% of total revenues.

As you can see on this slide, the Legal Professionals, Corporates and Tax Professionals comprised 80% of total revenues and they grew 4% organically for the full year. These businesses are already growing nicely and we expect this growth to accelerate this year. We plan to target our investment, both organic and inorganic, in these three segments to accelerate growth and achieve our overall target of 3.5% to 4.5% organic growth in 2020.

Reuters News revenues were up 24% for the full-year and, as I mentioned, include the first payment from Refinitiv. With that revenue stream locked in place for the next 30 years and new commercial leadership in place, we are looking forward to our Reuters News business becoming a stronger contributor to the overall growth and profitability of the Company. In addition, I believe our unmatched global insight on market moving events and trends will form a strong platform for our continued expansion into the corporate space.
Now, one of the things Stephane and I are most proud of is that we have consistently delivered on the guidance targets that we have set out each year for the past seven years. Importantly, organic revenue growth accelerated as we moved through the year. And as you heard me say last quarter, we expect to build on that in 2019 and 2020 from the 3% rate that we achieved for the second half of last year.

Our full-year 2018 organic revenue growth rate was the best we have posted since 2008. As expected, EBITDA was negatively impacted by the higher corporate costs that we are incurring related to reorganizing the business and investing for growth. On an underlying basis, meaning EBITDA before stranded costs and one-time costs, EBITDA was $1.7 billion and the related margin was 30.7%.

Now, let me turn to our outlook for 2019 and 2020. As we enter this year and look ahead to 2020, we’re focused on five key priorities: delivering higher revenue growth by adding new customers using better analytics, increasing cross-selling upselling and improving retention as we drive for mid-single-digit revenue growth in 2020.

Creating more customer centric organization to provide top quality customer experience. This includes embedding customer insights and analytics into our products and being quicker to deliver the product innovations they most want. It also means being easier to do business with, which should help us improve retention.

We are also investing in technologies to enable customers to transact with us through digital channels. We are making it easier for existing customers to renew subscriptions, add on services or get technical support at their convenience. We are also using digital channels and advanced analytics to generate more leads that will allow us to reach thousands of additional smaller customers.

We are also simplifying the Company, making it easier to get things done. This includes simplifying our product portfolio and platforms, reducing layers and being quicker to solve customers’ needs.

And finally, we are investing more in our people and empowering them to take action quickly to help customers while also flattening the organization to reduce hierarchy and bureaucracy.

I am confident that these priorities will lead us to faster growth and I have never been more enthused nor more confident in the prospects for the Company.

Now let me turn to our outlook. There are still many moving parts in 2019 related to the separation of the Refinitiv business while also executing on the priorities I just discussed. These initiatives will impact our performance in 2019 and will mask the underlying performance in the business.

Therefore, we are also providing our outlook for 2020 given that next year is expected to be the first business as usual year for the new Company. And that should more clearly reflect its longer-term growth prospects and profitability. Let me start with revenue growth.

After improving performance in 2018 and positive momentum in our markets we are confident we can build upon last year’s results. We expect total revenue growth to range between 7% and 8.5% in 2019. Once again that total revenue growth performance will be distorted during the first three quarters of the year by the payments to Reuters News from Refinitiv. On an organic basis we expect revenue growth to be between 3% and 3.5% this year, which should pave the way toward our 2020 target of 3.5% to 4.5%.

Turning to our EBITDA performance, we expect to deliver reported EBITDA of $1.4 billion to $1.5 billion for the full year. As a reminder, that number reflects an estimated $300 million to $400 million of one-time and stranded costs. For 2020 we expect to bring down those stranded costs to less than $50 million and we are targeting our EBITDA margin to range between 30% and 31%. Further details related to our outlook can be found in today’s press release and Stephane will provide additional details in a moment.

Two more items to mention -- first, today we announced a $0.04 increase in our annualized dividend to $1.44 per share, effective with our Q1 dividend payable next month. This will mark the 26th consecutive year of dividend increases for the Company. That is an achievement we are very proud of. Importantly, it speaks to the solidity of our business and its consistent free cash flow generation capabilities.
And second, we also announced that the Company plans to repurchase up to an additional $250 million worth of its shares under its normal course issuer bid program this year. This should allow us to maintain our share count at around 500 million shares outstanding. So with that let me now turn it over to Stephane.

**Stephane Bello - Thomson Reuters - EVP & CFO**

Thank you, Jim. Before I turn to the results, let me point out that, as Jim just mentioned, this is the first quarter that we are reporting based on our new organizational structure with five customer segments, and the results on this slide exclude Refinitiv.

Let me also remind you that our results remain distorted as we continue to navigate through a transition of the Refinitiv separation. And I will try to provide you with as much transparency as possible with regard to these distorting factors throughout the rest of this presentation.

Now as we always do, I will talk to revenue growth before currency. In this quarter currency had a 2% negative impact on growth. So on a constant currency basis, fourth-quarter revenues were up 9% including the first quarterly payment by Refinitiv to Reuters of $81 million. On an organic basis revenues grew 3% during the fourth quarter excluding the impact of the News contract with Refinitiv.

If you break down the growth further by revenue type you can see that recurring revenue grew strongly, up 14%, and they were up 5% organically. We continue to see an encouraging progression of our recurring revenue performance, which represents 77% of total revenues and which is truly the foundation for the future growth rate for the Company. Transactions revenues declined 3% and Global Print revenues declined 4% during the fourth quarter.

Turning to profitability, adjusted EBITDA was $285 million in the fourth quarter. EBITDA was down 30%, which was driven primarily by additional cost and investments related to the separation of the two companies. And I will provide some additional color on these factors in the next few slides.

Now before turning to the results by segment, I believe it would be helpful to look at the impact of the Reuters News contract on our revenue and our adjusted EBITDA margin. So let me start with revenue.

As we mentioned, fourth-quarter revenues included our first quarterly payment from Refinitiv as well as the revenues from the Integration Point acquisition we just completed. As you can see on the chart, these two items will distort our reported revenue growth rate this year until the fourth quarter of 2019. If you exclude these two items, our organic revenue growth rate was 2.5% in 2018 and we are projecting it to gradually improve toward 3.5% to 4.5% target range we have set for 2020.

Now keep in mind that the Reuters News contract is essentially at cost and so it will be dilutive to Thomson Reuters' overall adjusted EBITDA margin which I will discuss on this next slide.

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Now keep in mind that the Reuters News contract is essentially at cost and so it will be dilutive to Thomson Reuters' overall adjusted EBITDA margin which I will discuss on this next slide.

Now this graph looks at our full-year 2018 adjusted EBITDA margin excluding the impact of the stranded and one-time costs in order to provide you with a better understanding of the underlying trajectory of our EBITDA margin and the path we see to achieve the 30% to 31% margin target which Jim just discussed.

As you can see on the slide, our reported 2018 full-year EBITDA margin was 24.8%. Stranded and one-time cost had about a 600 basis point negative impact on the margin. In addition, the Refinitiv payment had a 40 basis point impact on the margin. So excluding these three items, the underlying margins would have been 31.2%.

Now the full impact of the Reuters Refinitiv contract on the margin will only be reflected once we cycle through four consecutive quarters of this contract. In 2019 we expect to see an additional 170 basis points dilutive impact resulting from that contract as well as from the Integration Point acquisition.
In other words, our 2018 EBITDA margin would have been approximately 29.5% if you exclude the one-time and stranded costs and if you factor in the full annualized impact of the Reuters News contract with Refinitiv and the Integration Point acquisition.

This is the base from which we will build towards our 30% to 31% margin target for 2020 by which time we should be through with one-time and stranded costs and by which time the dilutive impact of the Reuters Refinitiv contract will be fully reflected in the numbers. And at this stage we believe that we have good visibility into the levers at our disposal to achieve that target.

Now let me provide some additional color on the performance of our individual segments starting with Legal. During the fourth quarter Peer Monitor reported modest yet positive growth in demand for legal services and for the full year demand growth was 1%, certainly not yet robust but it was the best level we recorded since 2011.

Legal revenues were up 4% during the quarter with organic revenues also up 4%. Recurring revenues, which constitute 91% of the total, were up a healthy 4%, all organic. And Transactions revenues were also up 4% reflecting strong performances by our Investigations and Public Records businesses.

From a profitability perspective, the margin of 36.9% was driven primarily by the flow-through from higher revenues as well as some severance charges incurred in the prior year period that did not reoccur this year.

Now here's a more detailed look at Legal’s revenue performance for the fourth quarter. Law firms, which includes small, mid and large law firms and comprise about two-thirds of total revenues, grew 2%. Government, 15% of the total, had a strong quarter with revenues up 10% led by strong growth in our Investigations and Public Records businesses. And finally, the Global segment represented 18% of total revenues and was up 8%.

Westlaw Edge continues to see positive momentum and continues to be well received by our customers. Six months following its release Westlaw Edge is maintaining a healthy premium relative to Westlaw which gives us confidence that it will contribute to accelerated revenue growth this year.

Now moving to our new Corporate segment, Corporate revenues were up 7% during the quarter with organic revenue growth of 6%. The acquisition of Integration Point, which is I will remind you a global trade management business; that acquisition contributed about 100 basis points to the growth rate in the fourth quarter. And this acquisition demonstrates our commitment to expanding our offerings in the global regulatory and commerce space.

Integration Point will be added to our existing ONESOURCE global trade product creating the most comprehensive end-to-end global trade management solution available to trade and compliance professionals. Recurring revenues, which make up 83% of the total, were up 11%. Transactions revenues were down 10% due to a decline in our Latin American business and also due to softness in our Legal Managed Services business.

From a profitability perspective, the margin decreased from 32.9% to 27.6% due to the cost required to stand up the new Corporate business segment as well as the dilutive impact of the Integration Point acquisition. The full-year margin of 31.9% better reflects the normalized performance of this business going forward.

Now looking at Corporates result by sub segment, large Corporates, about 70% of revenues, delivered a strong quarter with growth of 8%, and that was driven by both Tax and Legal products in addition to the newly acquired Integration Point business. Organic growth in that sub segment was 5%.

The medium-sized Corporates, which is about 20% of total revenues in that segment, grew 6% with strong growth from Legal Products. And Global Corporates, about 8% of total revenues, declined 1% due to a decline in transactions in our LatAm business which was due to a difficult year-over-year comparison.
Now moving on to Tax Professionals, fourth-quarter revenues grew 8% and organic revenue growth was 7%. Recurring revenues, which were 89% of the total, were up 9% where Transaction revenues were down 3% versus the prior year period. The adjusted EBITDA margin of nearly 48% was up 700 basis points versus the prior year period.

Now as a reminder, the Tax Professionals segment is our most seasonal business with nearly 60% of full-year revenues typically generated in the first and fourth quarters. And because of that the margin performance in this segment is generally higher in the first and fourth quarters as costs are incurred in a more linear fashion throughout the year.

Looking at the Tax Professionals result by sub segment, small, medium and large accounting firms grew 7% primarily driven by strong recurring sales performance across the business. The Global businesses grew 19% primarily driven by high recurring sales growth in our Latin American businesses. And finally, our Government segment, which makes up about 4% of revenues, declined 10% due to lower transaction revenues.

Moving on to Reuters News, the fourth quarter and full-year results include $81 million from Refinitiv and this is the reason for the revenue growth of over 100% in the fourth quarter. Organic revenues grew 1%.

EBITDA was up $8 million from the prior year period primarily due to the fact that the fourth quarter of 2017 included about $9 million of severance charges. Once again let me remind you that the payment from Refinitiv essentially covers the cost of providing new services and contributes very little in the way of additional EBITDA.

Lastly, our Global Print segment revenues declined 4% over the prior year period with organic revenues down 5%. The EBITDA margin for the year remained flat at about 44% despite the revenue decline. So this business segment continues to do an excellent job managing expenses. And it’s 2019 priorities include rolling out a digital initiative targeting smaller and solo print customers, enhancing our print to digital bundled offering and better harmonizing commercial policy with an aim toward improving retention.

Let me now speak for a moment to the performance of the Refinitiv business. This is the first time we are reporting Refinitiv’s performance as a 45% owner. The slide reflects Refinitiv’s fourth-quarter 2018 performance under Blackstone’s majority ownership, which took effect on October 1. So these are the metrics we will provide each quarter enabling you to value our ownership interest in the partnership.

Due to the change in ownership, there are no financial statements for the business for the full-year. Additionally, our previously reported results for the F&R business are not fully comparable to the basis on which Refinitiv currently reports its financial performance. For instance, Refinitiv must now apply specific purchase accounting rules which were obviously not applicable before the closing.

Also, Refinitiv’s management team uses slightly different definitions to calculate its non-IFRS metrics. So what you see on this table are the results as provided by Refinitiv’s management calculated on a basis consistent with the way Refinitiv discussed its performance during their recent debt road show.

Now to the results for the fourth quarter. Refinitiv revenues grew 3% in the fourth quarter to $1.6 billion. On an organic basis revenues also grew 3%. Recurring revenues excluding recoveries grew 2% and continued market volatility led to a 9% growth in Transaction revenues with another very strong growth quarter from Tradeweb.

Adjusted EBITDA of $486 million excludes transformation cost of $332 million incurred during the quarter and on that basis the adjusted EBITDA margin was 31.4%. Free cash flow for the fourth quarter was about $210 million, debt outstanding was about $13 billion and the preferred equity outstanding was $963 million.

Now let me turn to our earnings per share and free cash flow performance. And I will also update you on our expectations for corporate cost and I will review our capital structure at yearend 2018. So starting with our earnings per share.

Adjusted EPS in the quarter decreased by $0.02 to $0.20 per share and, as shown on this slide, the decline was driven by lower EBITDA resulting primarily from stranded and separation costs. Currency had a $0.02 positive impact on EPS during the quarter.
The remainder of the decline was driven by a $13 million increase in depreciation which was due to higher capital investments during the course of the year to support our digital and lead to cash initiatives. This was partly offset by a decrease of $68 million in interest expense resulting from the repayment of $4 billion of debt in the fourth quarter and also by the impact of share repurchases.

As we have previously stated, we do expect our EPS in 2019 to improve having now deployed $15 billion of the $17 billion of proceeds from the Refinitiv transaction. Including having paid down $4 billion of debt and having reduced the number of shares outstanding by 200 million to about 500 million common shares outstanding at year-end.

I will now turn to our free cash flow performance for the full year. Our reported free cash flow exceeded $1.1 billion for the full-year versus about $1 billion in the prior year period. So that was an improvement of about $75 million. Consistent with previous quarters, there are a number of distorting factors impacting our free cash flow performance. So this slide will hopefully help you to remove the noise and give you a clearer picture of our underlying performance.

Working from the bottom of the page upwards, the Refinitiv component of our free cash flow was down $212 million from the prior year, primarily due to deal costs and one less quarter of Refinitiv free cash flow. Also in the prior year we had $56 million in costs related to the IP & Science transaction, we made a $500 million pension contribution and we also made payments related to the charge we had taken in the fourth quarter 2016. So comparable free cash flow from continuing operations was $685 million, essentially unchanged from the prior year period.

This next slide is an update regarding Corporate costs for 2019 and 2020. Let me start with 2018. We incurred Corporate costs of $499 million in 2018, which was at the bottom end of the range of $500 million to $600 million we had previously provided. And you can see the breakdown of our corporate costs in 2018 in the first column of this slide.

As shown, core Corporate costs ended up at $140 million, which was right in line with our guidance. Stranded costs were $87 million and one-time costs ended up at $272 million, which was lower than we expected.

For 2019, we are projecting Corporate cost of approximately $570 million consisting of core Corporate cost of about $140 million, stranded costs of about $100 million and about $330 million of additional one-time costs. So we continue to expect our total one-time cost over 2018 and 2019 to be at $600 million, which is in line with what we communicated before.

And as a reminder, these one-time costs consist of investments to duplicate and replicate capabilities to build an integrated operating model, eliminate stranded costs and build digital capabilities.

Now for 2020 we continue to expect total corporate cost of between $140 million and $190 million and that will consist of about $140 million of core Corporate costs and up to $50 million of stranded costs. As discussed before, we do not expect additional one-time cost in 2020 and we are also working very hard at trying to fully offset the remaining $50 million of stranded costs, which is why we are providing you a range today.

Finally, the graph on the right hand side of this slide reflects our current best estimate of the phasing of corporate costs in 2019. Needless to say, these numbers may fluctuate somewhat from quarter to quarter based on a number of factors. But at a high level you should expect us to frontload one-time expenses and investments in the first part of the year so that we can take costs as quickly as possible out and we can put these transformation efforts behind us as promptly as we can.

A quick update on our capital structure. As we articulated at our Investor Day meeting, we remain committed to maintaining a very robust capital structure. And at year-end 2018 our capital structure was as strong as it has ever been with de minimus leverage and substantial cash on hand providing us with significant financial flexibility.

We paid down $4 billion of debt in the fourth quarter and ended the year with $3.3 billion of debt outstanding. We also had $2.7 billion of cash on hand at year-end so our net debt position was about $600 million and this translated into a net debt to EBITDA ratio of 0.5 times, well below our 2.5 times target.
The average maturity on our remaining long-term debt outstanding is 12 years and our average interest rate is 4.5% entirely fixed. And we don’t anticipate the need for any long-term debt refinancing until 2021.

Last but not least, we had about 500 million shares outstanding at year-end which was a near 30% reduction from where we stood when year ago.

Now today we provided guidance for both 2019 and 2020. As we just explained, 2019 will be impacted by a number of factors relating to the Refinitiv transaction, such as the additional revenue from the News contract with Refinitiv and the costs we are incurring to mitigate stranded costs and reposition the business. But we are committed and I must state very much looking forward to return to a more business as usual type performance by 2020 as discussed during our recent Investor Day meeting.

So building on the strong performance in 2018 and positive momentum in our markets we expect 2019 total revenue to grow between 7% and 8.5% including a full year of the Refinitiv payment to Reuters. We expect 2019 organic revenue growth to range between 3% and 3.5%. And revenue growth should then accelerate to between 3.5% and 4.5% in 2020.

The improving revenue growth trajectory is expected to generate EBITDA of $1.4 billion to $1.5 billion in 2019. And in 2020 we expect our EBITDA margin to range between 30% and 31%. As I discussed a few moments ago, we expect total Corporate cost of about $570 million in 2019 and in 2020 we expect Corporate cost to range between $140 million and $190 million.

In 2019 we are projecting free cash flow to range between zero and $300 million after taking into account about $700 million of nonrecurring items primarily related to the Refinitiv transaction. Of this amount about $170 million relates to cash contributions into our UK defined-benefit plans, about $160 million relate to cash taxes, and about $400 million relates to the one-time cost we spoke about earlier.

We are currently projecting our 2020 free cash flow to range somewhere between $1 billion and $1.2 billion. And we are reaffirming our 2020 free cash flow per share target of $2.40. And let me point out that free cash flow per share and organic revenue growth are now the two metrics we use in our long-term incentive plan.

Turning to capital expenditures, we expect them to decrease as a percentage of revenue and forecast they will be about 9% in 2019 and will range from -- to between 7.5% and 8% in 2020. Depreciation and amortization expense is expected to range between $600 million and $625 million in 2019. And after the repayment of about $4 billion of debt in 2018, we expect interest expense to range between $150 million and $175 million in 2019.

Lastly, we forecast the effective tax rate to be 16% to 19% in 2019 and about 20% in 2020, in line with the guidance we provided during our recent Investor Day meeting last December. Let me now turn it back over to Jim.

Jim Smith - Thomson Reuters - President & CEO

Thank you, Stephane. So we are off to a good start as we enter the year. We started the year executing on a clear growth strategy with our teams 100% focused on expanding our positions in our core Legal and Tax domains. And our strong capital position provides us with significant flexibility and opportunity to drive growth. We expect to invest organically and inorganically to further accelerate revenue growth.

And these investments are all intended to add critical capabilities and expand the range of products we can cross-sell to our customers, to add features to our products that will support premium price points, and continue to improve our customer service thereby supporting even higher levels of retention.

We also want to add new customers particularly by capitalizing on digital channels to address the long tail of our market opportunity with small law and accounting firms. So I am very confident in the trajectory of the business as we enter 2019 and look forward toward 2020.

As I said earlier, our aim for this year is to maintain the focus, pace and determination with which we ended 2018. Accomplishing those objectives will position us very well toward achieving our targets over the next two years. With that, let me turn it back over to Frank.
Frank Golden - Thomson Reuters - SVP of IR

Thanks very much, Jim and Stephane. This concludes our formal remarks for the fourth quarter and the full year and we'd now, operator, like to open the call for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Toni Kaplan, Morgan Stanley.

Toni Kaplan - Morgan Stanley - Analyst

Thank you, good morning. I wanted to ask a couple of things with regard to the first quarter. With all the changes in tax reform that were put in place last year, are you expecting to see a better than normal growth in the Tax Professionals segment in the quarter? And should we see any impact on results from the government shutdown as well?

Jim Smith - Thomson Reuters - President & CEO

Let me start with the second one and come back to the first one. We don't anticipate any impact from the government shutdown. Had that postponed the filing season the tax filing season in the United States that would have shifted perhaps when we'd recognize some revenue, but it didn't so we don't expect that.

And as far as specific bumps, I think all of us in the industry saw a healthy bump in Q4 from all the tax changes. We would expect it to be a healthy market again in Q1 but not have a material impact. If you think about looking at Q1 of 2018 as well, what we actually saw was a delay in spending while people were waiting on the new rules to be formulated. So we don't think there is going to be material swings about that. I would just say that any change in regulatory complexity or tax complexity is generally good.

Toni Kaplan - Morgan Stanley - Analyst

Terrific. And then for my follow-up, can you just give us an update on the client response to Westlaw Edge and how sales are trending versus your expectations? Thank you.

Jim Smith - Thomson Reuters - President & CEO

The reaction has been quite gratifying. It's strong, the pipelines are strong and it continues to be very well received by clients. And I think as Stephane mentioned in his prepared remarks, we continue to see attractive pricing dynamics with that product.

Operator

Vince Valentini, TD Securities.
Vince Valentini - TD Securities - Analyst

Yes, thanks. My question is going to follow up on the Westlaw Edge, but can I just clarify something first, Stephane? The free cash flow guidance of zero to $300 million, if I’m looking at slide 28, do I compare that to the $358 million number of free cash flow from continuing operations? Is that the best basis for comparison?

Stephane Bello - Thomson Reuters - EVP & CFO

I think, Vince, you -- 2019 is going to be very distorted. We quoted about $700 million of one-time items. So I think the best way to compare it is just add $700 million on that zero to $300 million to get a sense of what the underlying free cash flow looks like.

Vince Valentini - TD Securities - Analyst

So, if I had $700 million then I can compare to the bottom line sort of normal free cash flow. Okay. So just back to Westlaw Edge, these new segments, obviously we don’t have a good basis for comparison. So you’ve said the law firm’s sub segment of Legal Professionals revenue growth was 2% in the fourth quarter.

It seems to me like that may be a bit light if you are seeing this great traction on Westlaw Edge and pricing gains. I know you haven’t migrated a lot of customers yet, but do you have any basis of what that 2% might’ve looked like in Q3 or Q2? Like is that -- are you already seeing an acceleration? It used to be zero or 1, now it’s 2 and heading upwards or is 2 kind of flat with where it has been?

Stephane Bello - Thomson Reuters - EVP & CFO

It’s slightly better, so demand for legal services is improving very, very marginally. It is still pretty low overall, but there is not a direct correlation between the growth in demand for legal services and the growth rate of our Legal business because the Legal business is much more than just giving legal content. It is being helped of course by the software solutions we are getting in that segment, etc.

So, it gives a good solid underpinning to the performance we expect from that business. And I would say that that growth in Legal Services is actually an improvement from what we’ve seen in the prior year, which it had been negative for a number of years prior to this year.

Jim Smith - Thomson Reuters - President & CEO

And if I could just add something to that, Vince, because it’s a very good question and you are exactly right. We don’t have comparable prior segments to look at and if you think about overall -- some of the things that would’ve been recorded in overall growth in our old Legal segment are now in the Corporate segments because they are serving General Counsels and the like.

So, I think it is more important to look at a holistic look at how those three underlying businesses are running. They are not specifically comparable to our old Legal and Tax businesses.

Operator

Aravinda Galappatthige, Canaccord.
Aravinda Galappatthige - Canaccord Genuity - Analyst

Good morning, thanks for taking my question. I just wanted to go back to the $2 billion investment fund you have. Any updates, Jim, on the M&A landscape, what you’re seeing there? And anything -- I know that you made the Integration Point acquisition. Are you seeing sort of a greater number of targets that interest you both on the Legal side and the Tax side?

And sort of connected to the capital allocation theme, I wanted to get a sense of the buyback. Obviously you are at 0.5 turns -- 0.5 in terms of leverage ratio. Arguably you have more room to buy back stock beyond the $250 million. Just wanted to get your thoughts on that as well.

Jim Smith - Thomson Reuters - President & CEO

Sure. Let me give you the kind of strategic landscape for acquisitions and Stephane can talk about the financial dynamics as we look at the buyback. So to start with I would just say, yes, we see opportunities out there. I would say the thing about M&A is it takes a willing buyer and a willing seller at a reasonable price for both sides. And in fact what you have to do is kick a lot of tires before you find the right deal. So we are out kicking a lot of tires right now.

But what we are also trying to do is to work with each of our new segments to identify what the most important capabilities are going to be for their customers five years from now. Not necessarily expanding the place just where we are today but we are looking within our customer set. We are looking for things that are additive to the offerings that we bring to customers in those -- in those existing markets and then looking at those capabilities.

And look, we have a number of potential targets that we are looking at. We are right in the process of prioritizing those targets and in some cases beginning some discussions, but we are not on the verge of pulling the trigger on something big right now.

When you look at Integration Point though, that would be a great example of the kind of thing we are looking at because it is a platform -- it has an underlying technology and a customer set that is highly complementary to our ONESOURCE corporate tax workstation, helping corporations manage their cross-border trading needs.

We had some strength outside the United States and a growing business inside the United States. We were building out a technology to have an extensive global platform. By doing the Integration Point acquisition we were able to bring in a large number of US customers and to take an underlying technology that we thought was extensible and that could be interfaced into that ONESOURCE platform offering and in return really make a buy/build decision on the CapEx we would've spent over the next three years to finish building out our own platform.

Stephane Bello - Thomson Reuters - EVP & CFO

And on your second question about buybacks, you can hear from Jim like our focus at this point in time is really to -- more on the acquisition side with regard to how we would prefer to utilize that $2 billion of reinvestment fund. So the $250 million buyback program we announced this morning is really a small buyback that will enable us to keep our share count at about 500 million shares throughout the year.

As you know, there is some issuance of shares that result from the dividend reinvestment plan that we have and also obviously executive share issuances. So we just want to stay at about 500 million. I would say if in 12 to 18 months we find ourselves in a position where we have not been able to identify the right acquisition opportunities we will reconsider our options and buyback would obviously be one of the options on the table at that time.

Operator

Andrew Steinerman, JPMorgan.
Andrew Steinerman - JPMorgan - Analyst

Hi there. I'm looking at slide 18 about the Legal Professionals. Stephane, you just mentioned that demand for legal services is improving slightly. I wanted to know what you meant by that. Did you mean the end market, the law firms themselves are doing better? Or did you just mean the receptivity of Thomson's products is increasing in its attractiveness? Then also on that same page, the green bucket of Global, is that international law firms and should it continue to grow at high single digits?

Stephane Bello - Thomson Reuters - EVP & CFO

So the answer to your first question I would say is both. We have seen slightly better dynamics in the legal market from what we've seen in the prior years and, as Jim mentioned, the reception for a Westlaw Edge continues to be very strong. So I think we are benefiting from these two trends in the Legal Professionals segment.

And with regard to the -- your second question, Global -- look, that's not a really very large proportion of our overall business. It's potentially bolstered by or we've got some business in Latin America and we've got some business in the UK, Australia and Canada. And these businesses are performing reasonably well at this time.

Andrew Steinerman - JPMorgan - Analyst

And those are law firms right?

Stephane Bello - Thomson Reuters - EVP & CFO

Yes.

Operator

Paul Steep, Scotia.

Paul Steep - Scotia Capital - Analyst

Good morning. Jim or Stephane, could you talk a little bit -- Stephane, you referenced free cash flow going back into the LTIP metrics from 2016. I guess we missed it last year; we had adjusted EBITDA less CapEx as a proxy and then organic growth. Do you still have the ACV metric in there? I guess we'll see in April, but maybe you could give us a sneak peek at that. Thanks.

Stephane Bello - Thomson Reuters - EVP & CFO

Thank you for the question. Let me try to clarify what I said. What I refer to are our long-term incentive plans. So we have two plans, the one-year short-term bonus plan and that one has not changed. It is still based on book of business net sales for one-third on revenue for one-third and on what we refer to cash OI for one-third. No change there.

What has changed is that the long-term, which is a three-year plan that essentially represents a fairly large amount of the total compensation of our senior executives, that one is based now on two metrics: free cash flow per share and organic growth over a three-year period.
Paul Steep - Scotia Capital - Analyst
Perfect. That’s great. Thank you very much, guys.

Operator
Manav Patnaik, Barclays.

Manav Patnaik - Barclays Capital - Analyst
Thank you, good morning, guys. Stephane, I just wanted to confirm the $1 billion to $1.2 billion free cash flow guidance in 2020, is that equivalent to the 2.4 per share guidance you gave before? And I guess does that include the M&A that I think you had baked into that 2.4?

Stephane Bello - Thomson Reuters - EVP & CFO
Yes, and that is why we have to give a bit of a range. We obviously are targeting to achieve $2.40. Since we don’t yet have certainty about how we’re going to deploy $2 billion reinvestment fund, we don’t know if we have achieve that $2.40 by either increasing the numerator by completing some acquisitions that will obviously hopefully be accretive to our free cash flow or whether we are going to achieve that somehow improving the denominator, meaning if we don’t find acquisitions we may reduce our share count.

But if you look at the underlying free cash flow that I tried to describe during the presentation for 2018, a reported free cash flow was $1.1 billion. But if you strip out all the noise coming from Refinitiv, IP & Science and so on you see the underlying free cash flow was just under $700 million at $685 million.

So if you try to think about how you bridge from that number to the $1 billion to $1.2 billion that we need to achieve in order to hit that $2.40 target, we feel we have got a pretty good level of visibility on how we can get there and what the building blocks are. And if I had to summarize them, pretty simply I would say that just simply from the reduction in interest expense we should get about $120 million. You can do the math based on the debt reduction that we had.

Then on top of that you know we very much are targeting a better level of capital efficiency, bringing our CapEx as a percentage of revenue from about 10% last year to between 7.5% and 8%. Well, that itself should add another $100 million of free cash flow and we can do that, we feel very confident, without affecting growth because this is just about driving more efficiency in our infrastructure and the rest.

And then you look at the efficiency initiative we are trying to push through to strip out these stranded costs, that should also be $100 million to $150 million. So if you just add these three elements you can see that you already have a pretty nice path to get to where we need to be. And then on top of that obviously you need to add whatever we can get from higher revenue growth if we achieve what we are aiming at. Obviously net that of cash taxes, but you can see why we feel confident about the path to achieving that target that we gave last year.

Manav Patnaik - Barclays Capital - Analyst
Okay. And then just a quick follow-up. The Print I guess revenues, growth in margin declines I guess, it’s still a quarter of EBITDA. Is there a strategy for that or do you just let it bleed because that’s just the reality of the business?
Jim Smith - Thomson Reuters - President & CEO

Look, I think it’s a good question. I think what we are trying to look at is there is no question that in all areas of publishing around the world today there is a move from printed products to online delivery and to more tools and less referential kind of content. So that’s just a general trend which is unlikely to change.

The way we’re trying to look at our print base is to say in that base are several hundred thousand customers that have a print relationship with us. And we are trying to build on that print relationship and look at that as a customer relationship and find ways that sell them more tools to find novel ways of bundling print with other electronic options to provide them with services and to generally retain those customers and grow with them and have them grow with us as we expand our product offering.

So, our goal would be to look at them not just as the kind of product we are supplying them, although we have to manage that differently, right? But rather how we build on the customer relationship.

Operator

David Ridley-Lane, Bank of America.

David Ridley-Lane - BofA Merrill Lynch - Analyst

Good morning. Could you give us some early data points for investors on the returns from setting up the corporate segment? It sounds like you did have some standup costs there. Are you getting the kind of cross-sell momentum that you expected? How are things going in that new segment here in the early days?

Stephane Bello - Thomson Reuters - EVP & CFO

Thanks, look, as you just said, it’s very early days, but we have obviously pretty high ambitions for this Corporate segment. We see a lot of nascent opportunities and so we wanted to make sure that we staffed that segment in such a way that would support growth of that segment, whether it is organic or inorganic. And that’s why you saw some [initial] cost in the fourth quarter to stand up that business.

The other thing that is going to impact margins in that segment is what I referred to during the presentation as the Integration Point acquisition, that is dilutive obviously for the first year. So what I would expect to see in that segment hopefully is an improving growth rate over time.

And from a margin perspective, as I said, the margin will continue to be negatively impacted. So pretty flat margin I would say for the next quarters also as we go through that Integration Point acquisition. And then from there on we should see the flow-through of the higher revenue growth that we expect to see in that business.

David Ridley-Lane - BofA Merrill Lynch - Analyst

Thank you. And as a quick follow-up, I hate to go back to Print but you have warned us in the past when Print volumes decline we should expect a pretty high flow through to EBITDA given the fixed cost base. And it’s just really surprising to see the Global Print margins holding up -- actually expanding in 2018. Just want to make sure there wasn’t some large one-time cost savings and just sort of what you are expecting for that segment in 2019.
Jim Smith - Thomson Reuters - President & CEO

Jim here. That team has done a great job of looking at the cost base. And they are becoming more and more efficient in the way they are printing and distributing those materials. And there is just a heck of a lot of innovation going on in that Print organization right now and I don’t think they are going to stop innovating anytime soon.

Frank Golden - Thomson Reuters - SVP of IR

I think we have one additional question in the queue, so we will take that, operator, please.

Operator

George Tong, Goldman Sachs.

George Tong - Goldman Sachs - Analyst

Hi, thanks, good morning. Your 2019 guidance includes organic revenue growth of 3% to 3.5%, which then steps up to 3.5% to 4.5% in 2020. Can you give us color on how this organic outlook breaks out by segment and specific initiatives at the segment level you have in place to drive the accelerating growth? I know you touched on Westlaw Edge in Legal but any others you would point out?

Stephane Bello - Thomson Reuters - EVP & CFO

Sure. Well, if you look at our three key segments, Corporates, Tax and Legal, they all have a very large portion of their revenue base that is subscription and a recurring base. So it is all dependent on what is the book of business growth that you achieve in these three businesses.

And as Jim mentioned during his remarks, we saw actually a very encouraging momentum in the book of business of performance of each of these businesses in 2018 and that came in the face of what could have been a very distracting year with everything that did happen.

So I would say it comes down to what we spoke about in prior calls, right, there is now a 100% focus on these three businesses. We have a level of granularity that we didn’t have frankly before in managing that book of business, managing that mid-sales pipeline, looking at what are our cross-selling opportunities on a segment-by-segment basis, sub segment-by-sub segment basis and customer-by-customer basis literally.

And so, I think what we are seeing, broadly speaking, is as using more levers than we had -- than we used in the past to foster our organic growth rate. Of course we relied pretty heavily on up-selling in the past. We're going to look more at cross-selling by having better analytics that we are in the process very much of establishing. So it really comes down to a matter of like focus and greater focus now that these are the businesses that we are focusing on.

George Tong - Goldman Sachs - Analyst

Great, thank you.

Frank Golden - Thomson Reuters - SVP of IR

And I think we do have one additional question, so we will take that, please.
Operator
Doug Arthur, Huber Research.

Doug Arthur - Huber Research Partners - Analyst
Frank, I will actually spare you. I'm covered. Thank you.

Frank Golden - Thomson Reuters - SVP of IR
Okay, so no other questions in the queue. So that will conclude our call. We'd like to thank you all for joining us this morning and we will update you again in the first quarter when we report in early May. Thank you.

Operator
Ladies and gentlemen, this conference is available for digitized replay after 10:30 a.m. Eastern Time today through midnight on March 5. If you wish to access the replay service you may do so at any time by calling 1-800-475-6701 and enter the access code of 462584. International participants may dial 320-365-3844. Again those numbers are 1-800-475-6701 and 320-365-3844 with the access code of 462584.

That does conclude your conference for today. Thank you for your participation and for using AT&T Teleconference Service. You may now disconnect.

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