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TRI.TO - Q3 2021 Thomson Reuters Corp Earnings Call

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PRESENTATION

Operator

Good day, and welcome to the Q3 2021 earnings call. My name is Joanne, and I'm your event manager. (Operator Instructions) I'd like to advise all parties, this conference is being recorded for replay purposes.

And now I'd like to hand over to Frank Golden, Head of Investor Relations. Please proceed.

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

Thank you. Good morning, and thank you all for joining us today for our third quarter 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 will take your questions following our presentation. (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.

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 pandemic 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, and thanks to all of you for joining us today. I'm pleased to report the momentum we saw in the first half of the year continued in the third quarter. Our revenue and sales performance was strong, exceeded our expectations and position us well for Q4 and 2022. We expect to close out the year on a strong footing and appreciate the efforts of our sales and our go-to-market teams.

This strong performance demonstrates our markets remain healthy and growing. And our products across legal, tax, corporates and risk, fraud and compliance fit the needs of our customers. Our products enable them to effectively equip their professionals to better serve their clients.

We're also seeing improving customer engagement, including 8,000 registrations for our annual Legal, Tax and Corporates SYNERGY conferences around the world. These conferences are our premier events for professionals who want to understand the future of their professions, learn the latest trends and experience how tools and data-driven technology can transform their firms, organizations, agencies and roles.

Our leadership team, including the President of our Corporates business, Sunil Pandita; and the President of our Tax & Accounting Professionals business, Elizabeth Beastrom, will be joining nearly 2,000 of our customers for the upcoming SYNERGY conferences in November in Nashville.

And as I mentioned last quarter, our customers continue to exhibit confidence in both an improving economic environment and in their own prospects. This potent ecosystem plays to our advantage, and we will continue to capitalize on the opportunities we are seeing to drive growth and expand our positions.

Now to the results. Our third quarter results reflected a standout performance. 4 of our 5 business segments recorded organic revenue growth of 6%. That performance resulted in total company organic revenue growth of 5%, putting us well above the 3.5% to 4% third quarter guidance provided in August.

Our healthy markets are providing us with a tailwind. That tailwind, coupled with our 9-month results, give us confidence in our prospects for the fourth quarter. As a result, we've once again raised our full year revenue and free cash flow guidance. Full year total company organic revenue growth is now forecast to be between 4.5% and 5% and approximately 6% for the Big 3 businesses. Free cash flow for the year is now forecast to be approximately \$1.2 billion.

Turning to our Change Program, we're making consistent progress as we work through -- as we work toward becoming an integrated operating company. As of September 30, we recorded run rate savings of about \$130 million, putting us on a path to achieve \$200 million by year-end. I'll remind you, our aggregate savings target is \$600 million by the end of 2023, \$200 million of which we plan to reinvest in the business.

Finally, we were active during the quarter executing on the \$1.2 billion share buyback program we announced in August. We've already bought back \$1.1 billion of stock, and we expect to complete the program before year-end. So given the progress we're making, we also reaffirmed our guidance for 2022 and 2023.

Now to the results for the quarter. Third quarter reported revenues were up 6% with organic revenues up 5%, thanks to strong results from the Big 3 businesses and Reuters. Contributing to this performance was 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 7% to \$458 million due to costs related to the Change Program, resulting in a margin of 30%. Excluding Change Program costs, adjusted EBITDA margin was 33.5%. Adjusted earnings per share for the quarter was \$0.46 compared to \$0.39 per share in the prior year period.

Turning to the results by segment. The Big 3 businesses achieved organic revenue growth of 6% for the quarter. Legal's third quarter performance was again strong with organic revenue growth of 6%. This was Legal's second consecutive quarter of 6% growth, its highest quarterly growth rate in over a decade.

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The U.S. legal market continues to be very healthy across the board for small-, mid- and large-sized firms as well as for government and across geographies. For example, Westlaw Edge continues to achieve strong sales growth and ended the quarter with an annual contract value or ACV penetration of 60%, achieving our full year ACV penetration guidance.

Second, Practical Law, as reported in the Legal segment, continues its strong performance, again growing double digits. We forecast similar growth in 2022 and continue to invest in this key legal workflow initiative. Third, our Government business, which is managed within our Legal segment, continues to perform and grew 10% organically.

And fourth, FindLaw grew over 10%, and our Legal businesses in Canada, Europe and Asia all grew mid-single digit in the quarter. Legal again achieved strong sales for both the quarter and 9-month periods, recording double-digit recurring sales growth, reflecting customers' willingness and ability to invest in productivity-enhancing products.

Turning to the Corporates business. Organic revenue growth increased to 6% from 4% in the first half of the year. This improvement came from increasing demand from customers for our legal, tax and risk products.

And in Tax & Accounting, organic revenue growth of 6% was stronger than expected, thanks to our audit solutions products and a strong performance by our Latin American tax business, which is called Dominio, which grew more than 20%.

Reuters News organic revenues also increased 6%, the second consecutive quarter of 6% growth. This was driven by the Professional business, which includes Reuters Events, which grew over 60% and continues to recover from the negative impact of COVID-19 in 2020.

Finally, Global Print organic revenues declined 5%, less than expected, due to a continued gradual return to office by our customers and higher third-party print revenues.

In summary, it was another strong quarter, but we're taking nothing for granted. We continue to invest in the businesses to enable us to further support our customers and properly position us for 2022 and beyond. We still have much work to do in executing our Change Program, and we've assembled a talented team over the past 18 months who are working well together and clearly understand our goals and our time lines. I'm very pleased with our progress to date.

One additional comment regarding growth. As you can see on this slide, momentum has been building for our Big 3 businesses over the past 11 quarters, which we believe will continue in the fourth quarter and into next year. I know many investors have historically viewed our markets as slower growing and have perceived our Legal and Tax businesses in particular as low single-digit growers.

We firmly believe that's not the case and, in fact, think that with successful execution of the Change Program, combined with appropriate investments, we can improve growth on a sustainable basis. Our markets are broad and dynamic, and we have strong positions in the right subsegments. Also, we have numerous levers to pull across our businesses, and we're investing in our strategic 7 initiatives, which are performing well, and we expect they will continue to do so.

This confluence of factors places us in a position where we believe we can grow mid-single digit on a consistent basis over the cycle. These factors position us well to achieve the upper end of the range of our 2022 revenue guidance of 4% to 5%. We'll discuss our 2022 guidance further when we report our fourth quarter and full year results in February.

Let me share an example of products that we believe will contribute to sustainable mid-single-digit revenue growth that I just referred to. First, you'll recall at our Investor Day, I discussed our goal of becoming a content-driven technology company, which includes excelling at product innovation and successfully integrating our products to provide customers with a seamless offering while delivering an excellent customer experience. We expect this will further improve the customer loyalty and increase retention as we continually enhance our products, adding to organic growth.

And at Investor Day, I highlighted 7 strategic priorities reflected on this slide. Those include several of our legal workflow solutions: HighQ, Practical Law and Contract Express. Last month, we released the latest version of HighQ. This release features key integrations with Practical Law, Contract Express, Elite 3E and Microsoft Teams and includes more than 50 enhancements and upgrades. It's an example of an integrated workflow solution that customers are asking for. It helps legal professionals and other corporate professionals working with the legal team to identify their work and improve client satisfaction.

This leverages Contract Express to automate and improve documents. It enables lawyers to structure matters with Practical Law. And it integrates Elite 3E data with HighQ visualization tools to provide greater transparency around client spend and work in progress. This is truly an integrated legal workflow solution and an example of content-driven technology.

Today, these 4 legal products are growing double digit, comprising over 10% of total company revenue and are contributing to the improving growth in both our Legal and Corporates segments. HighQ is just one example of how we're building holistic solutions for our customers through greater product innovation and integration. I expect to share more such examples of product innovation with you in the coming quarters.

One final example of how we're driving innovation before I turn it over to Mike. 2 weeks ago, we announced the establishment of a \$100 million corporate venture capital fund focused on the future of professionals. Thomson Reuters Ventures will continue -- will concentrate on investments and portfolio support for companies building breakthrough innovations that will allow professionals to operate more productively and with greater insights.

It will focus across the legal, tax and accounting, risk, fraud and compliance and news and media markets to identify and support innovative companies to help our customers deliver more to their clients. The fund will be overseen by our Chief Strategy Officer, Pat Wilburn. It's an example of how we're thinking about driving more innovation across the company and seeking new opportunities to further strengthen our businesses.

Now let me turn it over to Mike for more detail on the results for the quarter.

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 third quarter revenue performance of our Big 3 segments. Organic revenues and revenues at constant currency were both up 6% for the quarter. This marks the fifth consecutive quarter our Big 3 segments have grown at least 5%.

Legal Professionals total and organic revenues increased 6% in the third quarter. Recurring organic revenue grew 6%, and transaction revenues increased 10% related to our Elite, FindLaw and Government businesses. 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. Our Government business, which is reported within Legal and includes much of our risk, fraud and compliance businesses, had a strong quarter with total revenue growth of 11% and organic growth of 10%.

In our Corporates segment, total and organic revenues increased 6% due to recurring organic revenue growth of 7% and transactions organic revenue growth of 2%. Recurring revenue was driven by Practical Law, Indirect Tax and CLEAR as well as our businesses in Latin America and Asia and emerging markets.

And finally, Tax & Accounting's total and organic revenues grew 6% driven by 10% recurring organic revenue growth. Growth was driven by the Latin America businesses and audit solutions, which includes Confirmation. Transactions organic revenue declined 9%, resulting from the year-over-year timing of individual tax filing deadlines. I will remind you, last year, paper return revenue shifted from the second quarter to the third quarter. Normalizing for this timing, organic revenues for Tax & Accounting were up 11% in Q3.

Moving to Reuters News. Third quarter performance was strong, achieving total and organic revenue growth of 6%, primarily due to the Agency business and Professional business, which includes Reuters Events.

In Global Print, total and organic revenues declined 5%, at the lower end of the range we had forecast of minus 5% to minus 8%. We expect full year Global Print revenue to decline between 4% and 6%. On a consolidated basis, third quarter total and organic revenues each increased 5%.

Before turning to profitability, let's look closer at recurring and transaction revenue results for the third quarter. Starting on the left side, total company organic revenue for the third quarter of 2021 was up 5% compared to 2% in the third quarter of 2020 due to the impact of COVID.

If we look at Q3 2021 performance for the Big 3, you will see organic revenues increased 6% compared to 5% in the same period last year. Total company recurring organic revenues grew 6% in Q3, 230 basis points above Q3 2020. And the Big 3 recurring organic revenues grew 7%, which was above last year's third quarter growth of 5%.

Turning to the graph in the bottom right of the slide, transaction revenues were up 8% as the third quarter of 2020 was impacted by COVID, which 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 sustainability beyond 2021.

As previously stated by Steve, we have increased our full year revenue guidance. Starting with the total TR chart on the top left, we now estimate full year total and organic revenues will grow between 4.5% and 5%. This is an increase from the previous guidance of 4% to 4.5%. The Big 3 total and organic revenues are now forecast to grow approximately 6% for the full year, up from the previous guidance of 5.5% to 6%.

Moving to Reuters News. We forecast full year total and organic revenues to grow between 3% and 5%, driven mainly by our Reuters Professional business. This is an increase from the previous guidance of 2% to 3%. Finally, Global Print full year revenues are expected to decline between 4% and 6%, an improvement from our previous guidance of a 4% to 7% decline.

Turning to our profitability performance in the third quarter. Adjusted EBITDA for the Big 3 segments was \$468 million, up 7% from the prior year period. The strong EBITDA growth for each of the 3 businesses was driven by higher revenue growth and a benefit from 2020 cost-savings initiatives, offset by incremental business-as-usual investments in advance of 2022.

As discussed in the second quarter, we are investing more in go-to-market initiatives, enterprise technology and data and analytics capabilities in the second half of 2021 with a greater concentration of spend in Q4. I will remind you, the Change Program operating costs are recorded at the corporate level.

Moving to Reuters News. Adjusted EBITDA was \$25 million, \$2 million more than the prior year period, driven by revenue growth. Global Print adjusted EBITDA was \$52 million with a margin of 35%, a decline of about 600 basis points due to the decrease in revenues and the dilutive impact of lower margin third-party print revenue.

So in aggregate, total company adjusted EBITDA was \$458 million, a 7% decrease versus Q3 2020. Excluding costs related to the Change Program, adjusted EBITDA increased 4%. The third quarter's adjusted EBITDA margin was 30% and was 33.5% on an underlying basis, excluding costs related to the Change Program.

Now let me turn to our earnings per share, free cash flow performance and Change Program cost. Starting with earnings per share, adjusted EPS was \$0.46 per share versus \$0.39 per share in the prior year period, an 18% increase. The increase was primarily driven by a decrease in depreciation and amortization and lower income taxes, partially offset by lower adjusted EBITDA.

For the full year, we have decreased our tax rate guidance to between 14% and 16% due to favorable results from the settlement of prior tax years in various jurisdictions. Currency had a \$0.01 positive impact on adjusted EPS in the quarter.

Let me now turn to our free cash flow performance for the first 9 months. Our reported free cash flow was \$1 billion versus \$881 million in the prior year period, an improvement of \$120 million. 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 \$59 million more than the prior year period. This was primarily due to payments to the U.K. tax authority related to our former Refinitiv business.

In the first 9 months, we made \$94 million of Change Program payments as compared to Refinitiv-related separation cost of \$87 million in the prior year period. So if you adjust for these items, comparable free cash flow from continuing operations was just shy of \$1.2 billion, \$327 million better than the prior year period. This increase was primarily due to higher EBITDA, favorable working capital movements and dividends from our interest in LSEG.

Now an update on our Change Program run rate savings. In the third quarter, we achieved \$42 million of annual run rate operating expense savings. This brings the cumulative annual run rate operating expense savings up to \$132 million for the Change Program. We are forecasting to achieve \$200 million of cumulative annual run rate operating expense savings by the end of this year.

As a reminder, we anticipate operating expense savings of \$600 million by 2023 while reinvesting \$200 million back into the business or net savings of \$400 million. Achieving \$200 million of operating expense savings by the end of 2021 would put us 1/3 of the way towards our goal of \$600 million of gross savings by 2023. We will continue to provide quarterly updates on run rate Change Program savings.

Now an update on our Change Program cost for the third quarter and the rest of 2021. Spend during the third quarter was \$79 million, which included \$53 million of OpEx and \$26 million of CapEx. Total spend in the first 9 months of the year was \$170 million. We now anticipate OpEx and CapEx spending between \$120 million and \$150 million in the fourth quarter.

Spend is forecast to step up related to cloud migration, streamlining internal systems, third-party contractors to support the Change Program and higher capital expenditures. For the full year, we now expect Change Program OpEx and CapEx spend to be between \$290 million and \$320 million. This is slightly lower than the previous guidance range of \$300 million to \$350 million.

We expect the lower spend in 2021 to carry over into 2022 as we are still expecting to incur approximately \$600 million over the course of the program. We will provide formal guidance on Change Program spend for 2022 when we report our fourth quarter results in February. There is no change in the anticipated split of about 60% OpEx and 40% CapEx. We will continue to provide quarterly updates on our Change Program spend.

And as Steve outlined, today, we increased our full year outlook for total TR and Big 3 revenue growth. We also increased our full year free cash flow guidance to approximately \$1.2 billion. Additionally, we have slightly lowered our guidance on Change Program spend for both OpEx and CapEx for 2021 and carry that underspend over to 2022. We have also decreased our effective tax rate outlook, both of which are reflected on this slide.

Lastly, we reaffirm the balance of our full year 2021 guidance as well as our 2022 and 2023 guidance previously provided. And we remain confident in achieving the targets for all metrics.

Let me now turn it back to Frank for questions.

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

Thank you, Mike and Steve. That concludes our formal remarks on our third quarter results, and we'd like to open the call now for questions. So if we could have the first question, operator, please?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question for today comes from the line of Drew McReynolds with RBC.

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

So my 2 questions, first, great to hear you're tracking to the upper end of your growth guidance for next year. So thank you for that data point. Just wondering, in the current inflationary environment, could you just give us some context around how volume versus price dynamics are changing, if at all, as we move to the end of this year and into next?

And then just as a follow-up. On the M&A environment, maybe Steve, if you can provide us just with an update on kind of where things stand on that front and how you're balancing that with the buyback.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Drew, thanks for the questions. In regards to the inflationary and the volume price dynamics, we're not currently seeing much change. In regards to the pricing dynamics that we've discussed on prior calls, they remain very consistent throughout 2021.

Just as a reminder, a significant number of our customer contracts under multiyear agreements was about 60% in Legal, 40% within Corporates and 10% within our Tax business there. So something we're certainly keeping an eye on, Drew, but no significant changes thus far on the price/volume dynamics there. I echo Steve's comments earlier, we're seeing very, very strong, consistent performance for all of our sales and account management teams, which are driving the results.

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

Yes. And Drew, it's Steve. So in answer to your M&A question, as we've mentioned on prior quarterly calls, we have a pretty robust pipeline that we're constantly replenishing of opportunities really focused in and around our Big 3. And we've spent the last quarter doing as we did the previous quarters, which is looking hard at a number of those targets. And it's not the lack of trying that we haven't done any meaningful deals in 2021. I'd particularly call out Scott Nelson, who leads a lot of our M&A-related activities, for his thankless and hard work.

The reason we haven't done it is we keep -- we hold the bar very high. We want to make sure that Thomson Reuters is the advantaged owner of any asset that we buy and that the business we buy is complementary to rather than complicating of the Change Program and additive to the customer experience. As you know, prices are elevated. So that just keeps that bar even higher.

Now we're optimistic that as we continue to turn that -- turn the crank on that pipeline, the deals will come into view that makes sense for us. But we'll continue to be unapologetic if we don't do them. We are very, very focused on the core business, the existing and new customers in the Change Program, and M&A will be secondary to that.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Drew, I would just supplement in regards to your question on M&A activity. If you look at capital strategy, overall, certainly, we're nearly complete the \$1.2 billion buyback. Question might be, would we consider additional buybacks in 2022? It's an option that we have.

Also, as mentioned before, we discuss the annual dividend increase with our Board every January. I would anticipate an increase as we go into 2022. We had a 7% dividend increase for 2021. It wouldn't surprise me if we're in the 10% range, which is the midpoint from our value-creation model for 2022 and beyond, which would certainly reflect our confidence in the free cash flow generation.

Operator

And our next question comes from the line of Kevin McVeigh with Credit Suisse.

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

And congratulations on a really just exceptional outcome given the Change Program and everything. It just really underscores the execution.

Hey, I guess this is, Steve, for you -- or Steve or Mike. Within the context of the VC fund and if I heard you right, Steve, it sounds like the Legal, you've got the highest growth in a decade. It seems like there's a little bit of a structural component to that. Can you help us understand how much kind of maybe the retention improvement was associated with that as opposed to new products? And then can you tie in just any incremental comments on new product innovation and how we should think about that longer-term growth within the context of the VC fund you just announced?

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

Yes. I'll start, Kevin, and I'm sure Mike will add. Thanks for the word of congratulations. We're particularly appreciative of all of the hard work that our colleagues have put in this year and particularly in the third quarter.

In terms of Legal, I think the thing that's pleasing is that, that sort of uplift in performance and a robust year-to-date is not reflective of any one particular subsegment in Legal or any one particular product or price in favor of quantity or vice versa. I think it's a pretty balanced, diversified set of contributors.

So the sentiment in small law, as an example, has really ticked up through the second and third quarters. So the smallest of our legal customers who are an important part of our business are starting to be more optimistic about the level of activity that they're seeing amongst their clients. Mid law continues to perform. And the largest law firms, of course, particularly those with diversified corporate finance-related practices, are enjoying a good year. So we're pretty optimistic about where that sits, and we think we can continue to continue that performance, as we said.

As it pertains to new product innovation, this is a major area of focus for us at Thomson Reuters. So you will remember that pretty early on in the going last year, after Mike and I took our roles, we went out and we attracted David Wong, who's our new Chief Product Officer. David came from Facebook. We elevated Shawn Malhotra as our Head of Engineering, and they're both based with us in Toronto in our tech center. We also, under Kirsty Roth's leadership, have replenished and elevated some of the talent within our operations and technology function more broadly to make sure that we're building on a very, very solid foundation.

The product that I talked about, which integrates Practical Law and Contract Express, HighQ and Elite 3E, is an example of that, and we have more to come. You'll see us, I think, be pretty modest in terms of our cadence of product innovations through 2022, but with a very aggressive aspiration thereafter to become the leader in terms of product innovation in the segments that we serve. And it's a really important part of the focus that we're putting on the company, and it is the primary focus. And then the sort of the bolt-on M&A will be the secondary focus after that.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Kevin, I would just supplement, the entire portfolio of Legal did really well in the third quarter. We've talked quite a bit about Westlaw Edge with 100 basis points of impact for us. And we'll continue to drive additional penetration with Westlaw Edge as we go into 2022. We've already hit the 60% this year, which was our goal of 60% to 65%. Practical Law, Elite, FindLaw all did really well, as did our regions in Asia, emerging markets and government. HighQ that we acquired in July of 2019 did well. So really solid performance.

I think you asked about retention, Kevin, for the Legal business. We're approaching 91%, which is a slight uptick versus 2020. So really good performance across the board for Legal.

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

I took enough time. Congrats again and really just a fantastic outcome.

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

Yes. Thanks, Kevin.

Operator

Our next question comes from the line of Toni Kaplan from Morgan Stanley.

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

I wanted to ask another question about the venture capital fund that you started. Are you viewing this as an M&A incubator or a way to keep sort of more on the ground with trends in the industry? Or is this really just an interesting investment avenue for you and a way to sort of get innovation ideas?

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

Yes. Toni, I think it's a little bit of all of them. But I'd put more emphasis on opening and increasing our aperture to new innovations at the periphery of our core segments. I think that, for me, is the biggest area of focus. As I said in response to Kevin's question, we've got a real emphasis on being an organic builder of new product innovations to serve our customers in our core markets. That's a huge area of focus.

And we view this as supplementary. There's a fair amount of venture capital money going into, for example, legal workflow solutions and areas like risk, fraud and compliance. And we want to make sure that as a company and as a group, we're very much keeping abreast of those and aware of those. And we can't think of a better way than to put some capital to work to make sure that we're continually getting smarter as to what's going on and benefiting from those innovations and allowing our customers to benefit from them. As to whether it leads to M&A down the track, I would certainly hope it does, but that's probably not the primary focus.

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

Terrific. Wanted to ask also, last quarter, you had expected 3Q to come in at 5% to 5.5% for the Big 3. It came in at 6%, so that was a great result. I think you expected Tax & Accounting to be low single digit, and that came in ahead. Was there anything in particular that drove this strength? Or were you trying to be conservative because of the difficult comp? Just anything on sort of where the real strong outperformance came from versus what you had been thinking last quarter.

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. Toni, happy to start there. I think it really happened across the board. We just shared some comments with Kevin in regards to Legal, so I'll just focus on the Corporates segment now. We had a really strong performance from Practical Law. As a reminder, Practical Law comes in both Legal Professionals and Corporates. The Indirect Tax business did well, as did CLEAR. Once again, CLEAR is split between the Government business and also Corporates.

Within Tax & Accounting, we had really strong performance, as Steve mentioned, from our Latin America businesses, specifically Dominio, the tax business, and within Elizabeth's business, audit solutions did really, really well. So we had really good momentum across the board, Toni, from all of the segments, including Print and Reuters side. On the Reuters Events, we haven't done any physical events thus far through Q3. We will have a physical event for Reuters in -- or in person in Q4. So really good momentum across the board, Toni.

And retention is slightly increasing across all of our segments. I mentioned Reuters earlier, but we're seeing a slight uptick also in Corporates and Tax & Accounting for retention.

Operator

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

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

With Westlaw Edge, ACV penetration reached 60% in the quarter. Can you provide your updated thoughts on where you'd like to see penetration by year-end and longer term?

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes, George, 2 components there. I would say by year-end, we're looking at 63% to 65% for year-end 2021. Over the time horizon, we think penetration will reach around 75%. So additional runway as we go into -- throughout 2022. And by the time we reach the max penetration, we will have released Westlaw Edge 2.0. It's what we're referring to it internally there. So George, we're very confident we'll be able to sustain the 100 basis points lift that we're seeing from Westlaw Edge in recent quarters. So we're very confident on Westlaw Edge and the next version.

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

Got it. That's helpful. You're seeing progress in all 7 investment areas of the Change Program. Can you talk a bit about where in the Change Program you're seeing the most progress?

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

Yes. George, look, I think as we laid out at Investor Day and beyond, we've got 3 components to the Change Program. The first is building a whole new set of capabilities in service of our customers, particularly in digital self-serve omnichannel. We have introduced the sort of first versions of those capabilities to some of our marquee products here in the United States. And I would say that, that is on or a little bit ahead of track. But it's very modest in the context of the full product suite and all the geographies that we do business in. So I would say a good start, but much work to do.

The second component of the Change Program, of course, is the modernization of our operations and technology stack. We think that we can significantly enhance the customer experience by improving and making more contemporary to that tech stack. A big part of that, of course, is the migration of our revenues and our products to the cloud. We've set out an aspiration to get to well above 90% in 2023, the percent of revenues in the cloud. We're currently at about 35%, which is slightly ahead of where we thought we'd be. So good progress, but still a long way to go.

And then the third is really optimizing and rightsizing our organization, our organization structure and design and our location strategy. And there, I think we've made really good headway in 2021 so far. So we've put the sort of team fleet together. We're, I think, executing at or slightly ahead of the plan on that one.

So I think the impact is pretty evenly spread across those 3 big levers. And I would say the Change Program is on track or slightly ahead of where I thought it would be at this point. Having said that, we have an awful lot of work to do through the back end of this year and throughout 2022 to build the kind of capabilities in service of our customers and to make our colleagues' working lives easier and more productive. So good start, much to do.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

And George, I would just add one additional milestone in regards to our customer experience. We refer to it internally as our customer success platform account experience. We've got 85,000 customers on it as of today, and we're seeing a significant increase in the number of first-time ligands and also the number of self-service transactions. So that speaks really well for our customer experience journey.

Operator

Our next question comes from the line of Manav Patnaik from Barclays Bank.

Manav Shiv Patnaik - *Barclays Bank PLC, Research Division - Director & Lead Research Analyst*

I was just hoping you could address the pricing environment. And perhaps just between the Big 3 segments, how much of that growth is coming from price versus volume?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure, Manav. I'll start with that. In regards to pricing, I mentioned earlier with Drew's question, the pricing that we're seeing in 2021 thus far is very consistent with what we've seen in the last couple of years. I talked about the -- starting with Tax & Accounting Professionals, we see approximately 5% as a directional viewpoint there. Corporates is around 3%, and Legal is 2%. As I mentioned earlier, it can fluctuate quarter-to-quarter and year-to-year given the number of multiyear contracts that we have across the segments. But pricing, pretty consistent thus far this year, Manav.

Manav Shiv Patnaik - *Barclays Bank PLC, Research Division - Director & Lead Research Analyst*

Okay. Got it. And just competitively, any changes there particularly on the Legal side, which I think has been the most competitive historically? Or has Westlaw Edge and some of the other innovations kind of widened that gap even more now?

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

So a couple of comments, Manav, from me. I would say, first and foremost, we're very focused, as I said earlier, on our own product innovation road map. We're happy with what Westlaw Edge has been able to do for our customers. We're happy with the ACV penetration that we've driven that to date and where we can take it for the rest of the year and beyond. We're very focused on the next generations of that product and of others. Highly respectful of our competitors, but I don't think at the moment we're seeing anything notable in terms of changing level of competitive intensity.

Operator

And our next question comes from the line of Andrew Steinerman with JPMorgan.

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

I just wanted to make sure I understood the fourth quarter implied guidance. Obviously, I heard your comments about continued momentum that's built in the year into fourth quarter. I think when you do the math, you get somewhere around 4.3% organic revenue growth to make that full year of 4.5% to 5% for the year, that's total company.

Could you just go over that dynamic versus the 5% that you just reported? It just -- it does seem like a touch of deceleration. And as you answer the question, maybe also touch on kind of recent trends in net sales to give us a sense of forward momentum.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure, Andrew. In regards to net sales, momentum has been good across the board. As a reminder, Q4 is our largest quota period. About 30% of our quota occurs in Q4, and that splits by month, about 30% October, 30% November, 40% December, which is one of the reasons why we're waiting until February to update our '22, '23 guidance. At that point, we would have full visibility into the net sales and book of business there.

In regards to Q4, Andrew, I think the momentum continues. Certainly, the year-over-year comps comes into play there to some degree given the COVID impact. But I think overall, we feel good about the momentum across the board for all of the segments as we head into Q4. But it is the highest quota period for us.

Operator

Our next question comes from the line of Aravinda Galappatthige with Canaccord Genuity.

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

Congrats on the results so far. Two for me. The first, just to kind of follow up on the question around competitive reaction or competitive backdrop. Can you just generally comment about when you look at that element, are you sort of more concerned about sort of the incumbents, the larger players you've been sort of competing with? Or is it more the sort of the smallest software start-ups that may be coming up with sort of more maybe fancy and innovative workflow solutions? I mean can you maybe just talk about that landscape a little bit?

And then secondly, for Mike, can you just remind us about the U.K. tax dispute, where things stand? I know that originally, we were expecting an outflow in Q3 on account of that.

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

Yes, Aravinda, thanks. It's Steve. I'll start and then -- with the competitive question, and perhaps Mike can take the U.K. tax question. So we are very focused on both. As I said, the primary focus is on our own product road map and just getting better and better at understanding and predicting, meeting and exceeding our customers' needs. That's the primary focus. However, very, very respectful of the competitors in our core segments that have been with us for years and also the new and emerging, particularly sort of VC and private equity-funded software players, I wouldn't put -- communicate to you it'd be greater emphasis on one than the other. We're respectful of both. We watch carefully what they do and the kinds of new innovations that they're driving.

I think the picture probably varies a little bit as you move outside of the United States, where there does seem to be a little bit more activity amongst the new start-ups and software-oriented players relative to sort of some of the larger incumbent players. But it's really a pretty consistent picture and quite balanced across both.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

In regards to the U.K. tax dispute, we did make a payment in Q1 of 2021, and we made the second payment in Q3. So those payments for 2021 are behind us. The majority of those payments are reflected on our balance sheet as a long-term receivable. It was our intent and believe that we will recover those over the time horizon.

Operator

And our next question comes from the line of Paul Steep with Scotiabank.

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

Steve, could you give us maybe a sense of where you'd see opportunity to broaden out the platform in the Big 3 verticals?

And the second part that maybe ties to it is give us a sense of where you're at on the product rationalization journey as a move towards more of a platform. We've noted that you've, obviously, given end-of-life notices on products like eDiscovery Point and others.

And then just final one. Can you recap that cloud transition comment as well? I think I heard you say 90%, up from 35%.

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

Yes, sure. Thanks, Paul. So we see plentiful opportunities to expand within each of the Big 3. Just a couple of quick examples. I gave the example in my prepared remarks about the extension of HighQ and the integration of HighQ with Practical Law and Contract Express and Elite 3E. We are just scratching the surface in terms of our presence in legal workflow software and our ability to integrate that software with our flagship research products. I really think we're just scratching the surface, and we're excited by what we see with HighQ and how we've been able to enhance and grow HighQ very significantly over the last year or 2. So that looks like an acquisition that we made where we've been able to sort of really take it to a different place relative to where it was prior to Thomson Reuters' ownership.

In Tax & Accounting, we're seeing significant growth in audit on the back of the Confirmation acquisition. So that's, I think, one example in Tax & Accounting where we see some opportunity. I think the other area in Tax & Accounting is international. We're heavily U.S.-focused on Tax & Accounting. I think that's an industry and a customer need that is truly global. And so we'd like to think that there's some lots of runway internationally.

And then in Corporates, this is our sort of, in a sense, our newest business unit. And we've sort of put the pieces in place under Sunil Pandita's leadership, and we're starting to see that pick up. So 4% for the first half and then 6% for the third quarter. So signs of good vibrancy in Corporates. And there are many areas of opportunity there, including areas like indirect tax and global trade.

The one that I'd really point to though is in risk, fraud and compliance. Our risk franchises of CLEAR and TRSS under Steve Rubley's leadership are very government-focused. And we're proud of that -- of those businesses and particularly proud of what Steve and his team have been able to do. But in addition to that, we think that our ability to provide risk, fraud and compliance solutions, they're highly sensitive, it's quite unique. And we're excited about exploring that further in the Corporates segment going forward. So that's the first part of your question.

On product rationalization, I think we're making good progress, but we've got a long way to go. As a result of many, many acquisitions over the years, we do have, I think, a fairly long tail of products that we can and will rationalize. From a financial perspective, they're not particularly significant in terms of their importance to our financial profile. But the more we rationalize, the simpler we become and, obviously, the less complex our operations and technology challenges become. And I think that's a very important part of the journey that we're on.

Just to clarify on that cloud, thirdly and lastly, my cloud conversion comment. So we're making a transition whereby in 2023, by the end of 2023, we'll have over 90% of our revenues in the public cloud. And so that's the journey we're on. We're currently at 35%, which is slightly ahead of where we expected to be at the end of the third quarter 2021. So happy with that journey progressing well and optimistic that we'll get to exactly where we want to get.

Operator

Our last question comes from the line of Douglas Arthur with Huber.

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Douglas Middleton Arthur - Huber Research Partners, LLC - MD & Research Analyst

Mike, you mentioned in, I guess, Slide 8 the benefit you got from the Events business even though it was still virtual coming back. And you've also called out a couple of some strong growth in some international markets. I'm just wondering, when you look at year-over-year growth, Q3, the COVID quarter still covered last year, is there any way to sort of normalize the organic growth for some of the COVID comps that you had a year ago? Or is that not relevant in the third quarter?

Michael Eastwood - Thomson Reuters Corporation - CFO

Let me break it down, Doug, in a few vectors there. In regards to the Reuters Events business, our revenue in 2021 is currently forecasted to double our revenue in 2020. So when you think about normalizing 2021, 2020 with COVID, there are 2 key items that I would focus on: first one being the Reuters Events, as I just mentioned; and the second one would be Global Print. Global Print was certainly impacted in 2020 given the number of office closures we had for our Print and, obviously, the physical shipments there. Very pleased with the progress that Jennifer Prescott, Ryan Kessler had driven this year with the Print business. But those would be the 2 key items to focus on, Doug, from a normal -- we call it normalization. Certainly, the transactional revenue comes into play, but the Reuters Events and Print would be the 2 larger ones.

You asked about the international businesses. We refer to them as our regions within the company. Latin America, another quarter of 20% growth, led by Adrian Fognini. And then Asia and emerging markets led by Jackie Rhodes, about 20% for Latin America and 10% for AEM, Doug.

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

That will be our final question. We'd like to thank you all for joining us for our third quarter results. Please feel free to follow up with us. And we look forward to speaking to you in February when we report our Q4 results. Have a good day.

Operator

Thank you. And that concludes your conference call for today. You may now disconnect. Thank you for joining, and have a very good day. Thank you, everyone.

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