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CORPORATE PARTICIPANTS

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

James C. Smith *Thomson Reuters Corporation - President, CEO & Director*

Stephane Bello *Thomson Reuters Corporation - Executive VP & CFO*

CONFERENCE CALL PARTICIPANTS

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

Aravinda Suranimala Galappatthige *Canaccord Genuity Limited, Research Division - MD*

David Emerson Ridley-Lane *BofA Merrill Lynch, Research Division - VP*

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

Drew McReynolds *RBC Capital Markets, LLC, Research Division - Analyst*

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

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

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

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

Vince Valentini *TD Securities Equity Research - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Thomson Reuters First Quarter 2019 Earnings Call. (Operator Instructions) As a reminder, today's conference call is being recorded.

I'd now like to turn the conference over to the Senior Vice President of Investor Relations, Frank Golden. Please go ahead.

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

Thank you. Good morning, everyone, and thanks for joining us today. Our CEO, Jim Smith; and our CFO, Stephane Bello, will review the results for the first quarter and will update you on the outlook for the balance of the year. (Operator Instructions)

And as a reminder, we no longer control Refinitiv as we own 45% of the partnership. We account for our ownership interest as an equity method investment on our income statement. And I'll also remind you that Refinitiv is not included in our adjusted earnings or in adjusted earnings per share.

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 basis to measure the underlying performance of the business.

Today's presentation does contain forward-looking statements, and 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.

I'd like to now turn the call over to our CEO, Jim Smith.

James C. Smith - *Thomson Reuters Corporation - President, CEO & Director*

Thanks, Frank, and thanks to all of you who joined us today as we report our first quarter results. We'll spend most of our time focused on operating performance, and I am pleased to report that we had a solid start to the year. But it is especially rewarding to do so knowing that 2 of our colleagues yesterday were released from a Yangon prison after spending more than 500 days behind bars. It was a great day for Reuters and for press freedom.

And it was a joyous reminder of the core values that make this company special. We have a resilient business model that is delivered by passionate, committed colleagues who believe deeply that what we do every day makes a difference in the world. I wanted to take the opportunity to pay tribute to Wa Lone, Kyaw Soe Oo and their colleagues in our Myanmar bureau for their commitment to fearless and partial journalism. Their work has been rightly recognized worldwide. Their courage is an inspiration to us all.

I also want to thank the countless individuals and organizations who have helped keep the public spotlight focused on them and on our cause. It's safe to say they very well might not be free without that support.

Now to the operating results. As I mentioned, we're off to a solid start across the business with the first quarter's performance a bit above our expectations as we continue to build on the progress we made last year.

In the quarter, net sales were strong due to improved retention and price realization. Our book of business continued to build nicely, and organic recurring revenue growth was as strong as we have seen in quite a few years.

Reported revenues were up 8% in the quarter. That includes the quarterly payment from Refinitiv to Reuters News. And revenues at a constant currency were up 10%. Note that currency had a $26 million negative impact on reported revenues in the quarter.

Organic revenues increased a bit more than 3% for the quarter, marking the third consecutive quarter of 3% organic revenue growth. Importantly, organic revenue growth would have been 4% had transactions just been flat versus last year. So based on results for the quarter, we're confident that we're on track to achieve our full year organic revenue growth target of 3% to 3.5%.

Adjusted EBITDA was about $400 million, down 8% as expected. The decline was driven by stranded and onetime costs incurred in the quarter as our underlying EBITDA performance continues to improve. Stephane will provide more details on this later. And adjusted EPS was up $0.08 to $0.36 per share versus $0.28 per share a year ago. Based on the first quarter's performance and our outlook for the remainder of the year, we are reaffirming our full year outlook for 2019 and 2020 that we provided in February.

Now as I mentioned, total reported revenues grew 8% to $1.5 billion with organic revenue up 3%. Recurring revenues were about 3/4 of the total company revenues, and they grew 6% organically with strong growth in Legal, Corporates and Tax Professionals.

Transaction revenues declined 3% organically for the quarter and represented 13% of total revenues, and Global Print revenues performed slightly better than expected, declining 4% organically for the quarter, and they constituted 11% of total revenues. Effective the first of this year, we consolidated all our Global Print businesses under one management team. And we're beginning to see the benefits from using consistent, best practices across geographies, which is improving retention and achieving economies of scale. For the full year, we expect Print revenues to decline mid-single-digit.

As you can see on this slide, the Legal Professionals, Corporates and Tax Professionals segments comprised nearly 80% of total revenues. They grew 4% organically for the quarter. The recurring revenues business -- recurring revenues for these businesses increased 6%. We continue to expect a strong performance from these 3 businesses for the full year, and this is where we are targeting our investments. These investments should further accelerate growth and put us on a path to achieve our overall organic revenue growth target of 3.5% to 4.5% in 2020.

Reuters News revenues were up more than 100%, including the quarterly payment from Refinitiv. Organic revenues for Reuters News were up 3%. You will recall that Reuters News revenue growth rates will be distorted this year until the fourth quarter, at which time we will lap the first quarterly payment that was made in 2018.

So 2019 is off to a solid start with the trajectory of the business continuing to improve. Revenue growth is tracking to plan. Sales were strong in the quarter. Our book of business is building, and we're seeing good underlying margin improvement.

So the pieces are in place as we focus on our #1 goal: achieving revenue growth of 3.5% to 4.5% next year. And to achieve this, we are aggressively building on our strengths.

First, we're fortunate to operate in attractive, stable and growing markets where we own leadership positions. We don't take this for granted. We are working to further strengthen our position by embedding ourselves more deeply in the most valuable professional workflows. We're knitting the other offerings. We're extending our unique content, and we're building new capabilities on cutting-edge technology, which should lead to higher retention and higher recurring revenue growth.

Second, our customers rely on us to be their information and technology partner as they navigate significant change. We thrive on serving the nuanced needs of those customers, and demand for technology-led workflow solutions that help our customers save time and deliver more value to their customers is increasing. And we're working to capture new customer spend by serving those evolving needs. In fact, for -- demand for legal information and technology continues to grow above inflation as more law firms embrace more technology.

Third, our deeply knowledgeable and experienced domain experts add significant value to our content. This helps set us apart from the competition and is an underappreciated skill set and strength. For example, our success with AI in general and Westlaw Edge, in particular, is a result of 3 key ingredients: unique proprietary content; talented technologists; and experienced domain experts, all working together to develop world-class solutions. This work is ramping up across the company, and you will see a series of new AI-based legal and tax solutions released throughout this year and next.

And last, we're moving aggressively to simplify the business by investing in technologies to enable customer support -- to enable customers to transact with us through digital channels. We're consolidating legacy platforms. We're sunsetting older products, and we're disposing of noncore, low-growth, low-margin businesses, while focusing investment in our 3 core businesses.

So we've never been better positioned to help reinvent the way professionals work. Our customers are counting on us. Our first quarter results reflect the progress we're making.

Now I'll turn it over to Stephane to discuss the first quarter's results in further detail.

Stephane Bello - *Thomson Reuters Corporation - Executive VP & CFO*

Thank you, Jim, and good morning or good afternoon to all of you joining us today.

As I always do, let me start by reminding you that our results exclude the performance of Refinitiv. Also as Frank mentioned earlier, I will talk to revenue growth before currency.

So on a constant currency basis, first quarter revenues were up 10%. Currency had a negative 2% impact on revenue this quarter or $26 million. On an organic basis, revenues grew 3% during the first quarter, excluding the impact of the news contract with Refinitiv and the Integration Point acquisition. I will provide some additional information about the breakdown of our organic revenue growth on the next slide.

But first turning to profitability. Adjusted EBITDA was $397 million in the first quarter, which was down 8% primarily due to cost and investments related to the separation of the 2 companies.

Now before turning to the segment results, let's look a little deeper at our organic revenue growth performance. Overall, organic revenue growth was 3% during the first quarter, which represented an improvement of about 140 basis points over the performance in Q1 2018. As shown on the left-hand side of this graph, this was driven by better organic growth performance in all of our 3 core businesses: Legal Professionals, Corporates and Tax Professionals. What is particularly encouraging is that the improvement in organic growth was entirely driven by higher recurring organic revenue growth as reflected on the top-right side of this slide.

Our recurring revenue growth grew 5.5% organically, which rounded to 6% and which was an improvement of 170 basis points from last year. The year-over-year improvement in recurring revenue growth was particularly visible in the Legal Professionals and Corporate segments, while Tax Professionals growth remained strong at 7% as compared to the prior year period.

Shifting to the bottom-right portion of the slide, you can see that Transaction revenues declined 3% in the first quarter versus a 2% decline in Q1 last year. The decline was primarily concentrated in the Legal Professionals business, and we believe that it was primarily timing related. If Transaction revenue growth had been flat in Q1, our Legal Professionals segment would have reported an organic growth rate of 4%. And more importantly, as Jim mentioned earlier, our consolidated growth rate would have been 4% organically. So that's why we are encouraged by our first quarter revenue growth performance and why we feel confident in the organic growth targets we have set for ourselves both for '19 and 2020.

Now let me provide some additional color on the performance of our individual segments starting with Legal Professionals. Legal revenues were up 3% during the quarter with organic revenue growth also up 3%. Recurring revenues, which were 93% of the total, were up 5% organically, as I just mentioned. And Transaction revenues, 7% of the total, were down 9% organically mainly due to timing from our Elite products.

From a profitability perspective, the margin of 38.2% was up more than 500 basis points over the prior year period, and that was driven primarily by flow-through from the strong recurring revenue growth. It was also driven by savings from efficiency actions taken last year and also some favorable timing of expense spending. For the full year, we continue to expect the EBITDA margin to be up from last year driven by the factors mentioned earlier.

Here's a more detailed look at Legal's revenue performance for the first quarter. Law firms, which include small, mid- and large law firms and represents about 2/3 of total revenues, law firms grew 1%. And that segment was negatively affected by lower transaction revenues versus the prior year period. And also impacting growth were the dispositions of several small businesses, which had about a 100 basis point negative impact.

Government, which is 15% of the total, had another strong quarter with revenues up 8% led by strong growth in our investigations and public records businesses.

And finally, the Global segment represented 17% of total revenues and was up 5%. Westlaw Edge continues to make very good progress in the market, and it continues to command an attractive premium. We expect to release additional Westlaw Edge modules over the balance of the year, which should further strengthen and enhance our offering.

And we're also continuing to roll out new solutions for the Legal market. Last month, we launched Panoramic, an integrated and holistic approach to matter management. Panoramic is a cloud-based solution that joins together existing offerings in Practical Law and Legal guidance with Elite's financial management system to connect the front and back office of a law firm. Panoramic enables law firm to plan, manage and execute legal matters with data-driven confidence. And we're excited about the prospects for this new offering.

Now moving to our Corporates segment. Corporates revenues were up 8% during the quarter with organic revenue growth of 6%. The acquisition of Integration Point contributed about 300 basis points to the growth rate during the first quarter.

Recurring revenues, which are about 76% of the total, were up 9% organically. And Transaction revenues were down 4% organically due to softness in our Legal Managed Services business, which, as a reminder, we are in the process of selling to EY. We expect to close this transaction later this quarter.

From a profitability perspective, the margin of 33.6% was down 20 basis points from the prior year period as higher organic revenues helped to offset the dilutive impact of the Integration Point acquisition.

Now looking at Corporates results by subsegment. Large Corporates, which are about 3/4 of revenues, grew 9% driven both by tax and legal solutions, in addition to the newly acquired Integration Point business. Organic growth in that subsegment was 5%.

The medium-sized Corporates, about 17% of the total, grew 6% with a strong growth on legal and tax solutions.

And finally, Global Corporates grew 8%, thanks to a solid performance from our Latin American and Asian businesses.

Moving to Tax Professionals. First quarter revenues grew 5%, and organic revenue growth was also 5%. Recurring revenues, which were 78% of the total, were up 7% organically driven by software solutions in small and midsized firms. Transaction revenues were about flat to the prior year period.

The adjusted EBITDA margin of about 42% was up nearly 500 basis points versus the prior year period due to revenue growth with the favorable timing of some expenses spend and to efficiency savings. 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 this, 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 subsegment. You can see on this slide that small, mid- and large accounting firms revenues grew 5%. Our Global businesses segment grew 15% primarily driven by our Latin American business. And our Government segment, which makes up about 5% of revenues, declined 4%.

Moving on to Reuters News. The first quarter results include $84 million of revenues from Refinitiv, which explains the revenue growth rate exceeding 100% during the quarter. Now recall that the first payment received from Refinitiv was in the fourth quarter of last year, so we have 2 more quarters to go before we lap these higher growth rates and return to a more normalized level.

Organic revenues grew 3%, which was partly attributable to a price increase related to the Refinitiv contract and also to good growth in the consumer solutions business.

And EBITDA was up $8 million from the prior year period primarily due to the Refinitiv revenues. And as a reminder, the revenues from Refinitiv essentially cover the cost of providing the new services and, therefore, this contract has a dilutive impact on the annual EBITDA margin.

Last but not least, our Global Print revenues declined 4% over the prior year period with organic revenues also down 4%. The EBITDA margin for the quarter remained strong at nearly 45%, despite the revenue decline. This segment continues to take a fresh look at our Global Print businesses, and we are rolling out new initiatives to enhance customer experience, boost retention and operate even more efficiently.

Let me now spend a moment to speak to the performance of the Refinitiv business. And as a reminder, 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 apply specific purchase accounting rules, which are 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 in 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 debt road show.

Now to the results for the first quarter. Refinitiv revenues before currency were up 3% in the first quarter to $1.6 billion. Recurring revenues, excluding recoveries, grew 2%, and continued market volatility led to a 6% growth in Transaction revenues.

Adjusted EBITDA of $557 million excludes the transformation cost of $97 million incurred in the quarter. And on that basis, the adjusted EBITDA margin was 35.5%.

Free cash flow for the first quarter was negative $341 million. Debt outstanding was $12.9 billion, and the preferred equity outstanding was about $1.1 billion.

Now lastly, Refinitiv achieved run rate savings of $350 million as of the end of the first quarter, so the company is very much on track to achieve its run rate target of $650 million by the end of 2020. And it actually expects to achieve over 2/3 of this target by the end of this year.

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 costs. So starting with our earnings per share, adjusted EPS increased by $0.08 to $0.36 per share, which was the result of fewer shares outstanding and lower interest expense following our debt repayments in 2018 when we used part of the Refinitiv transaction proceeds. The EPS increase was partially offset by lower EBITDA due to stranded costs, onetime costs as well as higher income taxes, which was very much in line with what we have projected in the guidance we provided earlier this year. And finally, currency had a $0.01 positive impact on EPS during the quarter.

Now turning to our free cash flow performance for the first quarter. Our reported free cash flow was negative $177 million versus a positive $120 million in the prior year period, so that was a decline of about $300 million. Consistent with what we did in previous quarters, this slide will hopefully help you better assess the distorting factors impacting our free cash flow performance during the first quarter.

Working from the bottom of the page upwards, the Refinitiv-related component of free cash flow was down $148 million from the prior year and that was primarily due to the Refinitiv no longer being included in our results. Also in the first quarter, we made a pension contribution of about $170 million and some other payments, all related to the Refinitiv separation.

Comparable free cash flow from continuing operations was therefore $159 million, which was an improvement of $129 million over the prior year period and that was primarily driven by stronger underlying EBITDA performance, lower interest expense and also some CapEx timing.

Now a quick update on Corporate costs for 2019 and 2020. Let me start by saying that none of the annual estimates have changed from what we showed you last quarter for both years. Spend during the first quarter was a bit lower than we had expected at $142 million, and that was primarily timing related. We expect onetime spend to pick up over the balance of the year, driving Corporate costs through a quarterly peak of about $170 million to $180 million in the second quarter.

For the full year, we continue to expect to spend about $570 million. Again, no change to the full year estimate. We also continue to expect Corporate costs to decline and to range between $140 million and $190 million next year.

And finally, as Jim mentioned previously, we are reaffirming our full year 2019 and 2020 outlook based on the strong start of the year.

Let me turn -- now turn it back over to Frank as we would be pleased to answer any questions you might have.

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

Perfect. Thanks very much, Stephane and Jim. And now operator, we'd like to open the call for questions, please. So the first question.

QUESTIONS AND ANSWERS

Operator

The first question is from the line of Toni Kaplan with Morgan Stanley.

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

The Legal Professionals margin of 38% was far better than what I was expecting. You mentioned the drivers: scale, efficiencies and timing. Can you just give us a sense of how much is timing? Is that going to impact the second quarter margins negatively? Or how should we just be thinking about sort of the sustainable margin level in that segment?

Stephane Bello - *Thomson Reuters Corporation - Executive VP & CFO*

I would say there were definitely some timing elements in the first quarter margin of the Legal segment, Toni. But -- and also remember, the Legal business is now smaller than it used to be, so there's probably like timing variance have a bigger impact on the quarterly performance. So I wouldn't look at the first quarter margin as what should be expected over the balance of the year. But nevertheless, as we said earlier, I would certainly expect a noticeable margin improvement on a year-on-year -- year-over-year basis, and that will be driven primarily by revenue growth.

Operator

(Operator Instructions) Next we'll go to the line of Drew McReynolds with RBC.

Drew McReynolds - *RBC Capital Markets, LLC, Research Division - Analyst*

Yes. On the Transaction revenue performance in the first quarter, I think you've walked through and flashed through the impact quite extensively. Just want to look at it from a bigger picture perspective, Jim or Stephane. When you look at each of the components of that Transaction revenue, is there any kind of structural tailwind or headwind facing those buckets of revenue? Just trying to kind of size up. I know it's volatile from quarter-to-quarter, but size up whether those Transaction revenues ultimately grow over a medium term.

James C. Smith - *Thomson Reuters Corporation - President, CEO & Director*

Yes. Drew, thanks for the question. I think there are 2 primary drivers in there. And one is just the services revenues that go along with big implementations, like our Elite software systems. So when a law firm changes out its time and billing system or upgrades its time and billing system, there are a lot of services that wrap around that, and that's completely dependent upon when we have those installations. So I think, over time, that'll be a steady source of revenue, which will be volatile. But it'll be steady as Elite continues to grow. And then there was the Legal Managed Services bit, which was outsourced work helping law firms and corporations with things like due diligence, responding to regulatory request, that sort of stuff. And that's a business which is a purely services business. It's a business that doesn't have the same kind of scalability characteristics as our other businesses. And it's a business that we're exiting. So I think that would be the more, from our perspective, challenge of the businesses, but the business that would fit better within EY, who is acquiring it because they're experts at managing those kinds of businesses.

Stephane Bello - *Thomson Reuters Corporation - Executive VP & CFO*

And Drew, that business is about $40 million, $45 million in annual revenue.

James C. Smith - *Thomson Reuters Corporation - President, CEO & Director*

Right, right.

Stephane Bello - *Thomson Reuters Corporation - Executive VP & CFO*

With a small CapEx.

James C. Smith - *Thomson Reuters Corporation - President, CEO & Director*

So I think you'll see a gradual decline in the percentage of Transaction revenues over that time.

Operator

Next, we go to the line of Vince Valentini with TD Securities.

Vince Valentini - *TD Securities Equity Research - Analyst*

Yes. Just trying to triangulate your guidance based on pretty healthy beat here in Q1, but then this asset sale, which you're talking about, are you -- do you think you're now trending towards the high end of the $1.4 billion to $1.5 billion range or these timing issues you've talked about significant enough to detract from EBITDA growth in future quarters? And as a part of your answer, have you given us -- or can you give us some ballpark on how much revenue and EBITDA goes out the door with Pangea?

Stephane Bello - *Thomson Reuters Corporation - Executive VP & CFO*

Sure. So let me try to address the second question for -- it -- like the divestiture of our Legal Managed Services business should not have a big impact on margin. If anything, it may be slightly positive but very, very minor, Vince.

Now with regard to the EBITDA, we are encouraged, obviously, by the performance of the first quarter, but we still have like 3 quarters to go. So it's a bit early to do anything with regards to our guidance. And I would say, we are looking at a number of initiatives, which hopefully can help us really turbocharge our growth. And so if there is an opportunity to fund some of these initiatives in 2019, I think if we have to make a trade-off, we'll definitely make a trade-off in favor of initiatives, which should help us do better in 2020, 2021 even if, as a result of that, we don't significantly exceed our 2019 EBITDA guidance.

James C. Smith - *Thomson Reuters Corporation - President, CEO & Director*

Yes. And let me just jump, just reiterate, reinforce and underline what Stephane just said. We've said for a long time we'd always trade a point of margin for a point of growth any day. And what we're looking at now and we're in the fortunate position of actually being a little ahead of our expectations for Q1, and we're going to actively manage that throughout the year to say if we continue to see the kind of overperformance we've seen in Q1, are we better off to take that to the bottom line? Are we better off to invest that in initiatives that we believe will pay off with top line growth in the future? So we're going to be managing it very dynamically. And if we were convinced we can spend on things that will drive growth while still delivering on our commitments, we'll do that. And if we don't, we'll take the overperformance to the bottom line.

Operator

Next, we'll move to the line of Aravinda Galappatthige with Canaccord Genuity.

Aravinda Suranimala Galappatthige - *Canaccord Genuity Limited, Research Division - MD*

For Stephane, with respect to the earlier question about Legal margin, I know that last year, there was some spend around Westlaw Edge. I'm trying to remember what the cadence of that was through the year. And I was wondering if that is sort of assisting sort of the sharp growth that we're seeing in Legal Professionals EBITDA margin. I was wondering if you can speak to that. And to that point, I was wondering if you can give us a little bit more color on the development of Westlaw Edge in terms of the takeup. How's that tracking versus expectations and also the reception from customers? I mean were they happy with the features? Are they asking for more? Just a little bit more color around how material that could be down the road.

Stephane Bello - *Thomson Reuters Corporation - Executive VP & CFO*

Sure, Aravinda. Thank you for your question. I would -- in response to your first question, I would say yes, probably. If you look at the year-over-year improvement, some of that was driven by some of the marketing expenses linked to Westlaw Edge. If you look at the margin of our Legal business last year, Q1 was actually the low point. So I think that what you're saying is right. This being said, if you look at the absolute performance of our EBITDA this year, it's one of the highest margins the business has done. So it's more than just the absence of the Westlaw Edge marketing expense. It's really good underlying performance that you -- is shining through the margin there.

And in terms of your second question on Westlaw Edge, it's a really good question. Remember, Westlaw Edge is not what I would refer to as a static product. We will introduce new modules as the year goes by. Actually, we have a pretty exciting module that we are planning to introduce in the coming weeks that, I think, is going to be well received. And going forward, I think that's what we should expect -- you should expect to see from Westlaw Edge, continuous improvement in that product to make it increasingly attractive to our customer base.

Operator

Next, we'll go to the line of Andrew Steinerman with JPMorgan.

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

It's Andrew. I have 2 questions. The first is on disposals. Are there plans or prospects to dispose other noncore businesses like Pangea? And if that was done this year, would it affect the revenue guidance? Like is there -- are they notable enough in terms of revenues to affect the guidance? And the second one, Stephane, you probably feel like you just answered this question. I'm going to ask the Corporate cost question a little bit differently. I truly get it. If Corporate costs come in lower than expected, you want to reinvest it. But I'm just asking why Corporate costs have come in lower than expected in the first quarter, but you still expect Corporate costs for the full year to be that $750 million level. Like could you give us some sense of the types of costs within Corporate costs that should build from here during 2019?

Stephane Bello - *Thomson Reuters Corporation - Executive VP & CFO*

Sure. Thank you, Andrew. Let me start with the second question. When I was referring -- Jim and I were talking about potentially using the better performance in profitability to fund some growth initiative, we were not just referring to Corporate costs. We were referring to the overall better EBITDA performance, which is coming very much from the businesses, I would say, more than from the Corporate costs. What happened with regard to Corporate costs is onetime costs are sometimes pretty hard to predict exactly in which quarter they're going to fall. We think that the guidance we've given you in terms of what's going to happen in the first half versus the second half is still pretty much accurate, which means we're seeing higher Corporate costs, onetime costs primarily not like $30 million to $40 million higher probably in Q2 versus Q1. And as I said, that should really be the peak because from there on, you should start seeing these onetime costs to start being less and less as we progress through the year. That's the answer to your second question.

With regard to divestitures, we don't really speak about it a lot, but there's a number of very small businesses that we have or are in the process of divesting in addition to what we call our Legal Managed Services, or Pangea3 as you refer to it. I would say in aggregate, these may be to the tune of maybe $25 million in annual revenues. So that -- that's going to happen over the course of the year. There was some impact of that in our Q2 results, pretty minor on a quarterly basis given that, as I said, in aggregate, these other divestitures are about $25 million or so for the full year.

Operator

Next, we go to the line of Manav Patnaik with Barclays.

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

I also have a 2-parter. The first one is just on Westlaw to follow up. I think at Investor Day and Westlaw Edge specifically, I guess, at Investor Day, you'd given us some stats on 1,500 new sales or up-sells in the first, again, how many weeks. I was hoping you could give us a little bit more update there. And then it sounds like organically, there's a lot of innovation happening and that should help you lift your organic growth. So with that in mind, is M&A still very much in your agenda? Or can we expect to see some of that cash that you stocked up in buybacks in some other form?

James C. Smith - *Thomson Reuters Corporation - President, CEO & Director*

Sure. Let me dive in there. And again, it's with the caveat that Stephane gave in the earlier answer. This is not kind of a Westlaw Edge replacing earlier products and it's not some kind of forced migration. These are actually new tools and new platform. It's a new platform with all kinds of new tools that we'll be adding to over time. If you look at it, we're over 3,000 sales now, which is a solid growth from our largest law firm customers and, frankly, surprisingly good uptake amongst some small law firm customers. So we're going to continue to grow that. If you look at it, about 75% of the sales have come to our existing customers and 28% of those sales have come to -- from new customers. And those new customers are primarily in small law firm areas. So really good uptake there and really good price realization there. And we're quite happy with how that product has come out. We're also happy with what we've learned, the reaction that we're getting from our clients and then the ability to do Westlaw Edge-like analytics in other areas for other customer sets that we serve. So it's really encouraging experience we've had with Westlaw Edge.

As it comes to supplementing that increasing organic growth with acquisitions, we're still looking at it very hard and with a keen eye. We're looking again not to plug gaps in today's offerings. We feel quite confident in our offerings today, but looking for capabilities that our customers might need in future years. And to the extent we can make acquisitions that support the growth story and provide tools to our clients that they're going to need in the future, we'll take a long hard look at them. But I would just say in order for us to pull the trigger on it, on an acquisition, it's going to have to meet 2 criteria: one, it's going to have to be strategically right on point; and two, it's going to have to make financial sense. And it's got to be both of those things.

So frankly, we're working really hard. We've analyzed the market. We know the opportunities that we want to explore, and we are actively exploring those now. The difficulty in predicting M&A is that it requires a willing buyer and a willing seller at an agreed-upon price that makes sense to both. So we're in that process right now, and you just have to play the game on the field to see where it comes out.

Operator

And next we'll move on to the line of George Tong with Goldman Sachs.

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

I'd also like to ask about the strong EBITDA margin performance in the Legal business. One of the drivers you'd listed was flow-through from strong recurring revenues. Many of your other segments also have strong recurring revenue performance this quarter. So the question is do you see similar margin expansion opportunity in your other segments? And how would you frame your longer-term EBITDA margin targets for the Legal, Corporates and Tax segments?

Stephane Bello - *Thomson Reuters Corporation - Executive VP & CFO*

Yes. George, I would say we see very similar dynamics in our other segments. There was visible strong flow-through also in our Tax Professionals. It was less apparent in our Corporate segments because of the Integration Point acquisition. But just having the margin essentially flat year-on-year despite that acquisitions should give you an indication that the underlying margin was also seeing good flow-through. And in terms of long-term margin targets, we don't really have targets in terms of margins for each of our segments. As Jim always say, what we seek to deliver is the maximum growth of free cash flow in each of these segments. That's really what we're focused on. And it's always trade-off between you achieve that by trying to push the revenue line or do you achieve that by letting more of the flow-through fall to the bottom line. And really, that's what -- that's

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the trade-off that we are looking at every day. But as we always said, with the growth rate, the organic growth rate north of 3% now, that's when you start seeing the operating leverages come from these businesses, and it was rewarding to see that really shining through in the first quarter.

James C. Smith - *Thomson Reuters Corporation - President, CEO & Director*

Yes. And just add to that, I mean, again, the thing that encourages us most was that those -- the growth was driven in those subscription-based recurring revenue businesses, which are the stickiest of our businesses and the most profitable of our businesses.

Operator

Next, we go to the line of David Ridley-Lane with Bank of America.

David Emerson Ridley-Lane - *BofA Merrill Lynch, Research Division - VP*

Wanted to check in on the digital sales channel. At the Analyst Day, you spoke out about investments you're making there, building up the digital channel, working to reach some of your smaller prospects and current customers. So I did want to check in on the progress that you've made so far.

James C. Smith - *Thomson Reuters Corporation - President, CEO & Director*

Sure. We're making really good progress there, specific progress in building out the tools that we need to help reach out to them. I think we've seen a pretty marked increase in the number of our customers who are renewing their contracts with us online -- fully online and the prospecting and kind of the assistance that we're driving to our sales forces. So look, it's early days, and we're focused on building the tools to do it better. But the update, frankly, particularly on the ability to renew and the uptake of that from our clients is actually probably ahead of what we would have expected. And I would call it particularly in the small law firm space.

Operator

And next we'll move to the line of Doug Arthur with Huber Research.

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

Yes. Just a quick question on share repurchase plans. Jim, if acquisitions that are small do not meet your criteria in 2019 given your pretty strong net debt position, it's under $1 billion I think right now, would you consider accelerating share repurchase activity, I guess, is the question.

James C. Smith - *Thomson Reuters Corporation - President, CEO & Director*

I'm sure we would. We're -- these are early days of exploring the opportunities for how we're going to deploy that capital. As the year moves on and we see what the likelihood is of finding effective ways to deploy that through acquisition, we'll have a conversation with our Board and we'll make that decision at that time. I mean obviously, we're not going to sit with the net debt position that we're in right now. We're not going to sit with $2 billion of cash on the balance sheet or looking for something to do with it. We'll find a way to put it to work one way or the other. But we just need to complete our analysis of how effectively we're going to able to spend it on acquisitions.

Operator

It's the line of Tim Casey with BMO.

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

Jim, at the Analyst Day, you talked about cross-sell and up-sell as key components to drive organic growth. What's the update there? Is any of that in the numbers yet? Or is that still to come given you'll probably take some time to really drive those things?

James C. Smith - *Thomson Reuters Corporation - President, CEO & Director*

Tim, it's a great point. I actually think it's -- there's a lot of future potential there. And I think there's probably some element of that, that's flowing through toward the end of the quarter. But if you think about it, we just got the new sales teams together up and firing at the beginning of the year. And we're building the tools that will help in giving our salespeople the visibility into how that's working. We are seeing some increase in cross-sell and up-sell. We are targeting in each unit. But right now, we're still building some tools to help analyze that in more realtime fashion. So we're going to have to do more analysis around that manually for the time being. I would say, though, that if you look at what we're doing to enable the sales forces, we'll have 3/4 of the company on one instance of Salesforce.com by the end of this year. We'll be well over 85% of the company on one instance in the first quarter of next year. So we're now getting the tools to have the kind of realtime visibility into those activities. I have spent more time with our salespeople and with our customers this year than I have in a long time. And I can tell you that the sales teams are excited about it as a new opportunity and that the clients really like the ability to deal with us holistically in a more integrated sort of way. So I still have a lot of hope, and this is one of the key levers that we expect to use to drive increasing organic growth in the future. And I think it's early days there, and there's a lot of upside there.

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

Thanks, Jim and Stephane, and thank you all for joining us for our first quarter call. That'll conclude the call, and we look forward to speaking to you again in August. Have a good day.

Operator

Ladies and gentlemen, this conference is available for replay after 10:30 a.m. Eastern Time today through May 15 at midnight. You may access the AT&T replay service at any time by calling 1 (800) 475-6701 and enter the access code of 465715. International participants may dial (320) 365-3844. That does conclude your conference for today. Thank you for your participation. You may now disconnect.
