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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Thomson Reuters First Quarter Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Head of Investor Relations, Mr. Frank Golden. Please go ahead.

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

Good morning, and thank you for joining us today. This call marks the first time our new CEO, Steve Hasker; and our new CFO, Mike Eastwood, will report our results, and we'll follow a similar format to past practice.

Given the impact COVID-19 is having on the economy, discussing Q1 results feels like looking in the rearview mirror, and the guidance we gave only 2 months ago is already dated. Nevertheless, we believe transparency is critical at a time like this for our stakeholders. Steve and Mike will discuss where the company stands today, both operationally and financially. They will also discuss our updated outlook for the full year as well as for the second quarter, taking into account the tremendous uncertainty resulting from the global COVID-19 pandemic and its evolving impact on businesses. (Operator Instructions)

Before getting started, I'd like to remind you about the 2019 segment revisions that we mentioned last quarter and are now reflected in our first quarter results. 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 as we believe this provides the best basis to measure the underlying performance of the business.

Today's presentation contains forward-looking statements. Actual results may differ materially due to a number of risks and uncertainties related to COVID-19 pandemic and other risks discussed in our reports and our 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.

Now I'd like to turn the call over to Steve Hasker. Steve?

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

Thank you, Frank, and thanks to all of you for joining us today on my first earnings call. Needless to say, I joined Thomson Reuters at rather a tumultuous time from a global macro perspective. However, I'm fortunate to have joined the company with a long history, a strong foundation and very resilient businesses, a company whose customers truly value our solutions and a company that is essential for the efficient functioning of critical markets that drive world commerce. It's a responsibility that we all take very seriously each and every day we come to work, particularly at a time like this.

Now in this environment, our first priority is the health and safety of our employees. I want to extend our heartfelt thanks and express a deep sense of pride in the way our employees have stepped up and rallied in this crisis. I admire the flexibility, the adaptability and the resilience that our people have shown in the midst of great change. Their commitment to seamlessly support our customers across the world is impressive. And now more than ever, we need to help businesses, communities and economies move forward.

I also want to thank those in each of our communities across the world who are battling this virus, including health care workers, first responders and numerous others on the front lines. Our Reuters journalists have always been on the front line, and their global coverage of the pandemic has been truly outstanding.

I would also like to make mention of the Pulitzer Prize our Reuters team won yesterday for its coverage of the Hong Kong protest, the fifth such award in 3 years. We can't thank everyone enough for their courage and perseverance.

If there are 3 key messages that I'd like to convey during today's discussion, they are these: First, Thomson Reuters is very well positioned to navigate through this challenge from both an operational and financial perspective. Our business is resilient, and we have proved our adaptability by seamlessly moving 98% of our workforce to working effectively from home. Our strong balance sheet and liquidity position permit us to maintain our focus where it needs to be: on our customers.

Second, I believe this crisis will create more demand for our core solutions. In my daily conversations with customers, I see more demand for accurate, timely and useful information, delivered digitally and accessible 24 hours a day.

And thirdly, as a management team, we are looking to take every opportunity to accelerate our investments in our core franchises through and beyond this crisis. I firmly believe we'll emerge on the other side of this crisis even stronger. Before I dive into the details this morning, I think it's also worth mentioning that based on my opening months with the company, I would observe that we have plentiful growth opportunities within our core franchises and significant potential to take further advantage of operating scale and efficiencies.

Let me now turn to our results for the first quarter and our expectations for the balance of the year. The results for the first quarter came in as planned, and we're off to an encouragingly strong start to the year. As noted on our fourth quarter call, we entered the year with a healthy information services market in general and improving legal and regulatory markets in particular. And that was certainly what we were seeing through the first half of March when COVID-19 began to take hold across the world.

As expected, reported revenues and organic revenues both increased 2%. And revenues at constant currency were up 3%, with currency having had about a 100 basis point negative impact this quarter. Adjusted EBITDA was $480 million, up 21%, helped by higher revenues and by not having incurred stranded or onetime costs as occurred in the prior period. And adjusted EPS was $0.48 per share versus $0.36 per share a year ago.

Our Legal, Corporates and Tax & Accounting segments, which make up 80% of our revenues, recorded another good quarter with organic revenue growth of 4%. Legal, in particular, started the year strong and had a very good quarter with organic revenues up 4%, and revenues before currency were up 5%.

Legal's revenue growth was bolstered by the continued success of Westlaw Edge, which is seeing knock-on benefits from the contracts signed in the fourth quarter of 2019 with the U.S. Department of Justice and the Administrative Office of the U.S. Courts. Lawyers have been willing to pay a premium for solutions like Edge that give them a competitive advantage and improve efficiency, particularly in the virtual environment in which they're currently working.

Corporates' organic revenues were up 5%, and Tax & Accounting's organic revenues were flat, which we flagged would be the case last quarter due to the permanent acceleration of UltraTax state tax software from the first quarter to 2020 to the fourth quarter of 2019. And Tax & Accounting's reported revenues were down 2% due to currency. We were confident that Tax & Accounting was on track to achieve revenue growth of between 6% and 8% for the balance of the year prior to the impact we are now expecting to experience from COVID-19. Reuters News organic revenues were down 4%, and Global Print organic revenues declined 5%, both as expected.

Now customers have dramatically condensed the transformation of how they work. Change that might have otherwise taken years is happening in weeks. They're calling for support, and we're there to help. Prior to COVID-19, law firms recognized the need to invest in technology solutions in order to compete. But now they recognize they must do so in order to operate effectively if they're to properly serve their clients. And that's very good for us because they have a preference for fewer, more trusted strategic partners, and we're particularly well suited to leverage our unique position to be that partner.

And many government agencies as well as federal, state and local courts have traditionally been laggards in adopting new technologies. Now they have no choice but to adapt to new ways of working. The transformation to more technology-driven solutions by both lawyers and accountants will now accelerate given the changes we're all facing in working from home.

The bottom line is that the work we do is more valuable, not less valuable. And I believe the support we're showing our customers today will lead to even deeper relationships tomorrow.

Let me take a moment to remind you why we're so well suited to assist our customers with this transformation. First, a recap of the size of each of our businesses. Throughout today's presentation, you'll hear Mike and I use the term Big 3. The Big 3 consists of our Legal, Corporates and Tax & Accounting segments, which comprise nearly 80% of total company revenues and grew 5% organically last year. These are solid businesses that are predominantly subscription-based at high retention rates, generate high levels of recurring revenue, have significant operating leverage, achieve high profitability and generate substantial free cash flow. And given the markets in which we operate, our business profile and the steps we've taken to strengthen our operations and go-to-market strategy over the past several years, we believe we're better positioned than most companies to weather this storm.

Now I won't spend much time on each of the bullets on this slide. Suffice it to say, we have great franchises serving large and stable professional markets. And we're fortunate to have a diverse customer base totaling about 500,000 customers across varied markets with no individual customer accounting for more than 2% of our revenues.

This slide reflects the inherent strength of our Big 3 businesses, which have proven resilient over decades through other challenging situations. Our customers depend on our must-have solutions, and we're providing support to ensure our customers can remotely access these solutions, which also provides an opportunity to further expand our digital and self-service options.

Given these deep relationships, we understand our customers' needs, and we're helping them adapt. For example, we launched a COVID-19 resource center on tr.com to support our customers with free resources created by legal and tax experts to help them navigate this complicated and changing environment. And since many courts around the U.S. have been closed, our court case management team is working to help courts operate virtually. And our Government business is actively contributing to the fight against COVID-19. As one example, we used our investigative and data science skills to help the U.S. government prevent the unlawful importation and distribution of counterfeit COVID-19 test kits and other unlicensed medical equipment from entering the United States.

And lastly, our internal and external networks, technology and systems have stood up extremely well. Product usage generally remains high with call wait time lower or at average level across all solutions. Customers are relying on us now more than ever.

So in this current environment as law firms shift to remote collaboration and service their clients, let me give you some tangible examples of several of our legal solutions that help customers in their daily work and can open doors to new opportunities. Working from home has caused us to change how we work and support our current solutions, and we've had to make some quick adjustments to our processes.

Simply put, our solutions are made for addressing many of these issues that customers are facing, and they can be deployed rapidly. Whether the guidance and know-how in Practical Law that serves as the wise expert down the hall; or the collaboration experience of HighQ, which enables firms to stay in touch with clients; or helping lawyers improve their arguments with Quick Check on Westlaw Edge, our solutions are enabling the shift to remote work and empowering our customers to serve their clients, whether they are working from a corner office or from their home office. Serving our customers, defending our position and gaining market share where opportunities present themselves are what we are focusing on.

We're also responding to our Tax & Accounting customers by providing solutions made for addressing many of the issues they're contending with, including helping customers stay up-to-date with our weekly COVID-19 newsletter, helping them rapidly transition to virtual delivery of training, implementation and summits by offering new Checkpoint Learning COVID webinar series that have had an unprecedented 84% participation rate with over 20,000 registrants. And last, our Practice Forward team quickly built a toolkit providing guidance on stimulus funds, including a Paycheck Protection Program calculator. Again, serving our customers, defending our position and gaining market share where opportunities present themselves are what we're focusing on.

Now one of the questions we're frequently asked is how did your businesses perform during the 2008 financial downturn, which this slide addresses. The businesses have changed somewhat over the course of the last 10 years, but directionally it's a good perspective. We estimate that our Legal business, excluding Print, grew 2% organically at a time when massive structural changes took place in the U.S. legal market.

And during the downturn, our Tax & Accounting business never grew less than 3% organically. Our Legal and Tax businesses are stronger and better positioned today than in 2008, which I'll discuss on the next slide.

In 2008, our Legal business employed a usage-driven pricing model. The amount of data a customer used determined how much they paid. We lacked a multidimensional pricing model, pricing different from firm to firm, and there was a little transparency for customers. This meant we were exposed and vulnerable, which led to pricing pressure.

Today, we don't employ a usage-based institution model. Our Westlaw contracts employ an enterprise-wide structure, and pricing is simplified and transparent across firms based on multiple factors. Moreover, we're deeply embedded in our customers' daily work and in the workings of the firm itself. And in contract negotiations, we can leverage a more diverse portfolio of assets with products including Westlaw, Practical Law, HighQ, Elite and Contract Express. And ancillary expenses, which were transactional, were $160 million in 2008 compared to only $50 million today and have a more stable pricing model. As a result, our Legal business is in a much more defensible position today than in the last downturn.

Our Tax & Accounting business is 75% software-based today and continues to be very sticky, also has a far more diverse portfolio with deep strategic relationships and is also better positioned than in 2008. Admittedly, this downturn is different than the prior one, but these charts may be a useful barometer as you assessed how we may perform in today's environment.

Now let me turn to our updated outlook for this year. Now since March, we've all witnessed an unprecedented level of volatility and uncertainty due to the devastating impact of COVID-19 on the global economy. And while it's still early to predict the timing as to how this may unfold, we believe it's important that we provide a perspective and be as transparent as possible despite the unknowns. What's reflected on this slide is our current view of how we may perform over the balance of the year. I want to stress that this is our current view, and we'll update it when we report Q2 in August.

We now forecast total company revenue growth between 1% and 2%, with organic growth between 0% and 1%. Two of the primary reasons for lower growth forecast compared to the original outlook are related to Reuters News, primarily its Reuters Events business and transactional revenues. On a combined basis, we forecast they will have a negative impact of about 200 basis points on total company growth.

The other 2 contributing factors are projected lower sales in the Big 3 segments and lower Global Print revenues. Mike will share more detail in a moment.

This lower revenue growth is forecast to result in an adjusted EBITDA margin between 31% and 32% and free cash flow of about $1 billion. In order to preserve EBITDA and free cash flow, the company instituted a $100 million cost savings program in March targeting discretionary expenses, and I'm confident we'll achieve the $100 million target.

Our lower free cash flow guidance assumes lower revenues and temporary delays in collecting payments from some customers, but we're confident we'll collect this cash as the economy improves. And importantly, we're continuing to invest in many of our growth and transformation programs in order to position us for an improved economic environment in 2021 when we expect higher growth to return.

And lastly, we thought it was important to provide guidance for our Big 3 businesses: Legal, Tax & Accounting and Corporates, which reflects the expected resiliency of these businesses. We forecast that on a combined basis for the full year, these businesses should grow 3% to 4% and achieve an EBITDA margin of between 36% and 37%. Mike will provide you with details as to the assumptions we made in preparing our revised outlook.

Let me now turn it over to Mike.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Thank you, Steve, and thanks to all of you for joining us today. Before reviewing the first quarter results, I want to emphasize what Steve said. Our #1 priority is ensuring the safety and well-being of our employees while continuing to serve our customers. Currently, 98% of our employees are working from home in an effort to keep them safe. They have been working around the clock to continue to deliver world-class service to our customers, and they have been doing a terrific job.

It's also important to emphasize our company has a very solid financial foundation and operating model that has historically been resilient during past downturns. And I want to assure you, we are well positioned financially and operationally to see our way through the current challenges.

Now moving to the results for the first quarter. Let me start by providing some color on the revenue performance of our Big 3 segments. And as a reminder, I will talk to revenue growth before currency and on an organic basis.

Revenue growth for the Big 3 was up 5% for the quarter and increased 4% organically. As Steve mentioned, the Legal business was off to a strong start to the year building on the momentum it had coming out of 2019. In fact, prior to COVID-19, it was poised to report its best year since before the last downturn in 2008. Despite the expected negative impact from COVID-19, we are still forecasting good growth for the full year given Legal's unique position and ability to help law firms and government agencies navigate through the current environment.

For the quarter, Legal Professionals revenue increased 5%, with organic revenue up 4%. Law firm revenues grew a healthy 5%. Government revenues had another strong quarter with 11% growth, and our global Legal businesses grew 3%. And Westlaw Edge continues to contribute over 100 basis points to growth and yields a healthy premium.

In our Corporates segment, revenues were up 7%, including Confirmation, which we acquired in July 2019. And organic revenues were up 5% driven by our legal and tax solutions.

And finally, Tax & Accounting's revenues were flat in the first quarter as expected due to the change in timing for the release of UltraTax state software, which we discussed last quarter. On a normalized basis, which is shown in the far right column in blue on this slide, Tax & Accounting's organic revenues were up 6% for the quarter driven by strong growth in our Latin America business and Confirmation. Let me also point out the customary end of the U.S. tax season on April 15 has been extended to July 15 by the IRS and, therefore, will add a bit of uncertainty related to the timing of sales and revenues for this segment in the second quarter.

Moving to Reuters News. Revenues were flat in the first quarter, with organic revenues down 4%. Reuters News was and is expected to continue to be negatively impacted by cancellations of in-person conferences at Reuters Events due to COVID-19. More on this on the next slide.

And Global Print revenues declined 5% in the quarter, with organic revenues also down 5% as expected. The good news is our manufacturing plant in Eagan, Minnesota has been classified as an essential business and continues to operate with a mindset of safety first for our dedicated employees in the plant. So on a consolidated basis, first quarter revenues grew 3% with organic revenue growth of 2%.

It's unusual for us to provide quarterly guidance. However, we thought it was important to provide more granularity around our expectations for the second quarter. So let me provide you with our view as to how the second quarter may shape up, understanding we are forecasting in real time, and our forecast may change depending upon risks related to COVID-19.

Starting with the total TR chart on the top left, we estimate second quarter total revenues will decline between 1% and 2%. And organic revenues will decline between 2% and 3% primarily due to Reuters News and Global Print, which I will discuss in a moment.

For Q2, the Big 3 are forecast to achieve total revenue growth between 2.5% and 3.5% and organic growth between 2% and 3%. One additional point to make pertaining to Legal Professionals is we forecast total recurring revenue should grow between 4% and 5%. However, transaction revenues, which are less than 10% of the segment's total revenues, are expected to decline between 15% and 20% in Q2 for 3 reasons: first, a delay in some Elite installations; second, an assumption that there may be a slowing of sales; and third, the cancellation of some events. We forecast Legal's revenue growth rate will improve in Q3 and Q4 as the economy improves.

Moving to Reuters News. Nearly all of Reuters Events in-person conferences have been postponed through August. This will result in lost revenues of about $25 million in the second quarter, about 50% of Reuters Events' full year revenues in our original plan. And events could forgo an additional $15 million of revenue in Q4 if they are unable to resume in-person conferences. As Steve mentioned, this is one of the 2 key reasons for the lower total company guidance for the full year.

Global Print revenues are also expected to decline in the second quarter. Due to government-mandated shutdowns for a majority of the U.S. and many countries, we forecast a significant delay in shipping some of our print materials since customers are unlikely to be at their offices to accept shipment. We estimate this will result in the temporary delay of about $35 million of revenue in the second quarter, with about $25 million of that revenue being timing related.

We believe we will be able to recoup most of this revenue as the economy begins to return to normal and will eventually be shipped as these print materials have historically been considered critical content by law firms and government agencies. The $35 million of temporarily delayed revenues is expected to result in a 15% to 25% decline in Global Print's revenue in the second quarter but should rebound in the third and fourth quarters as law firms and government agencies begin to reopen, and we can ship.

Turning to our profitability performance in the first quarter. Adjusted EBITDA for the Big 3 segments was $431 million, unchanged from the prior year period. Legal Professionals adjusted EBITDA margin in the first quarter declined 140 bps to 36.7% compared to the prior year period due to the impact of acquisitions and timing of expenses. Corporates adjusted EBITDA margin was down 20 bps to 31.9%. And finally, Tax & Accounting's adjusted EBITDA margin decreased 270 bps to 38.7% primarily due to the UltraTax timing.

Moving to Reuters News. Adjusted EBITDA was $19 million, $4 million less than the prior year period mainly due to costs related to the cancellation of in-person events and higher investments.

Global Print's adjusted EBITDA margin for the quarter declined by about 420 basis points due to the decline in revenues, but still remained strong at above 40%. And corporate costs were in line with our expectations for the quarter, and we continue to expect these costs to range between $140 million to $150 million for the full year. So in aggregate, reported adjusted EBITDA was $480 million, up 21% due to higher revenues and not having incurred any stranded or onetime costs as had been the case in the prior year period.

This next slide provides a bit more color on the various factors impacting our adjusted EBITDA margin in the first quarter. As you can see on this slide, our reported 2020 first quarter adjusted EBITDA margin was 31.6%.

There were several factors in the quarter that distorted our margin. First, the permanent acceleration of UltraTax revenues to Q4 2019 had about a 40 basis point negative impact. Conversely, M&A activity positively impacted margin by about 50 basis points compared to the prior year period.

Also, in the prior year period, we had about $37 million of expense that shifted to the second half of 2019, resulting in a negative 250 basis point impact in the first quarter of this year. And lastly, revenue flow through added about 100 basis points.

So on an underlying basis, excluding stranded and onetime costs in the prior period, the adjusted EBITDA margin contracted 150 basis points as expected, which was mainly related to the UltraTax timing and favorable expense timing in the prior year period. We continue to recommend you look at our adjusted EBITDA margin on an annual basis.

Overall, we believe we have good visibility into the levers at our disposal to achieve our revised margin target of 31% to 32%. As Steve mentioned, we have implemented a cost-reduction program while still preserving the flexibility to make the necessary investments in 2020 in order to ensure that we're well positioned for 2021 from an organic growth perspective.

Now let me turn to our earnings per share and free cash flow performance, and I will also provide an update on our capital structure. So starting with earnings per share, adjusted EPS increased by $0.12 to $0.48 per share during the first quarter. The increase was driven by higher adjusted EBITDA, offset by an increase in depreciation and amortization, mainly related to acquisitions, higher interest expense largely due to lower interest income and higher income taxes. Finally, currency had a $0.01 negative impact on adjusted EPS in the quarter.

Let me now turn to our free cash flow performance for the quarter. Our reported free cash flow was $35 million versus a negative $177 million in the prior year period, an improvement of just over $200 million.

Consistent with previous quarters, this slide will hopefully help you remove the distorting factors impacting our free cash flow performance for the quarter. Working from the bottom of the page upwards, the Refinitiv-related component of our free cash flow was up $42 million from the prior year period. This was primarily due to cost incurred in 2019, including residual employee-related cost and tax expenditures related to the operations of our former F&R business. Also in the current quarter, we made payments for separation costs incurred in 2019 related to our transformation program totaling $63 million versus a pension contribution and other payments totaling $279 million in the prior year period. So if you adjust for these items, comparable free cash flow from continuing operations was $113 million, $46 million lower than the prior year period primarily due to unfavorable working capital movements.

Given the understandable focus on the part of investors concerning many companies' financial strength, I think it is important to provide an update on our capital structure and liquidity. And as you can see on this slide, our capital structure and liquidity position remain strong. We expect to generate about $1 billion of free cash flow this year. We have $800 million of cash on hand, about $800 million available under our $1.8 billion revolving credit facility, and we also have a $1.8 billion commercial paper program. So from a liquidity standpoint, we are in a very strong position.

And we're also in a very strong position from a capital structure standpoint. We have no debt maturing until 2023, and we are modestly leveraged with a net debt-to-adjusted EBITDA ratio of 2.1x at the end of the first quarter, comfortably below our 2.5x internal target. And our credit facility ratio is 1.9x, well below the credit line maximum of 4.5x. And we don't anticipate any changes to our plans to pay an annualized dividend of $1.52 per share in 2020 to our common shareholders.

Finally, in February, we completed our $200 million share buyback program and do not anticipate repurchasing any further shares in the near term.

Now an update on our investment in Refinitiv. The agreement to sell Refinitiv to the London Stock Exchange Group is still expected to close in the second half of 2020, which aligns with the statement made by the LSE on its Q1 earnings call 2 weeks ago that they are committed to closing this year. Now regarding our investment stake when the proposed deal closes, as of market close yesterday, our estimated interest was worth about $7.6 billion pretax.

Our future equity interest in the LSE will represent a stored value, which can be monetized over time. And we believe it will provide us with a significant level of financial flexibility in the foreseeable future. And after the deal closes, we expect to receive regular dividends from the LSE estimated at around $60 million per year based on the company's current annual dividend policy.

And one final point regarding future taxes to be paid related to our LSE shares. We estimate we will owe tax of between $400 million and $600 million upon the closing of the transaction later this year, depending upon the price of the LSE stock at the time. We have several options available regarding how we will fund the tax payment aside from free cash flow, cash on hand or drawing under our revolver, including some noncore minority investments.

I will remind you, we have the right to sell a proportional amount of the LSE shares to cover the tax payment. And at the time we can exercise our right to sell shares in years 3 and 4 at the closing, we will owe tax at the U.S. corporate tax rate, which is currently 25%.

Let me now build upon what Steve presented regarding our updated 2020 outlook. We thought it would be helpful to provide more detail regarding the specific components that we forecast will negatively impact revenue growth for 2020. This chart reflects the changes in our original total company revenue growth guidance of 4.5% to 5.5% compared to our updated guidance of 1% to 2%.

As you can see, there are 4 main drivers resulting in our forecast of lower total revenue growth for 2020. First, we anticipate most of the in-person events in our Reuters Events business will be canceled this year, in addition to our consumer and agency businesses being pressured. That's estimated to result in a 100 basis point negative impact. Second, our transactions revenue are expected to be lower primarily due to delays in installations, another 100 basis point negative impact.

Third, we expect our Big 3 segments will continue to experience softness in new sales, but expect this to rebound as the economy opens back up in the second half of the year. This is forecast to also have a negative 100 basis point impact.

And lastly, we anticipate Global Print sales will decline, resulting in a 50 basis point negative impact for the year. The impact of these 4 items is projected to result in total company revenue growth ranging between 1% and 2% for the year.

What's reflected on this slide is our current view of how we may perform over the balance of the year. We prepared 3 scenarios. The 3 scenarios assume a gradual economic improvement will begin in July, October and January 2021. Our base case was derived by taking the midpoint of the July and October scenarios to determine our updated outlook.

In preparing our updated outlook, we assumed diminished economic activity through the second quarter, followed by a gradual recovery through the second half of 2020. This assumes the financial and operational health of our customer base in both the U.S. and global economies will gradually improve, which we believe will coincide with the easing of lockdown restrictions.

The metrics on this slide mirror what Steve discussed except for the addition of interest expense, which we now forecast will range between $190 million and $215 million since we drew down under our revolver last month to bolster our liquidity. This will result in higher interest cost than originally estimated. All of the guidance metrics we provided in February remain unchanged.

Let me now turn it back to Steve to conclude our presentation.

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

Thanks, Mike. Let me conclude with a few additional thoughts regarding my initial observations of the company, having now been in this role for about 60 days.

First, before joining the company, I understood how our customers depend on our products and our solutions. And now having met with many customers across the businesses, I am even more appreciative of the unique relationship we have with these customers. That relationship is a 2-way street, and our employees feel a personal responsibility to support their clients, many of whom they've worked with for years. That support and those relationships will pay dividends over the long term.

Second, I'm already convinced that our Big 3 businesses still have a lot of opportunity to grow, to improve the customer experience and to take advantage of scale by transitioning to a more efficient operating model. For example, there are additional benefits to be achieved by integrating our product development and technology capabilities. And throughout my career, I've always focused on listening to the customer, understanding their needs and then developing solutions that serve those needs.

We have some of the best and brightest product development technologies in the world -- technologists in the world. And if we support them properly, point them in the right direction and leverage their talents across the organization, we can drive higher growth, while at the same time, achieving greater efficiencies.

And third, in what will be an extraordinarily difficult year given the global economic environment, we will manage the business accordingly, and we'll control what's within our control. It will take a lot of hard work mixed with a bit of realism, humility and teamwork to see us through to the other side. But I believe we can further strengthen our franchises and come through this in an even stronger position.

Let me now turn it back over to Frank.

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

Thanks very much, Steve and Mike, and that concludes our formal remarks. So we would now like to open it up for questions. And operator, if we could have the first question, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Andrew Steinerman from JPMorgan.

Y. Cho - *JP Morgan Chase & Co, Research Division - Analyst*

This is Michael Cho on for Andrew. My first question, I'm just hoping you can unpack the revenue pressure from the installation delays and net new sales across Big 3 segments. I guess, can you just give us a sense of the contribution from each of the Big 3 segments? And are there any segment of clients that you think that the potential rebound could be delayed?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure. This is Mike. I'll start on that question and ask Steve to supplement. As we look at our transactions revenue, there is a significant portion that we can actually complete remotely with our installations. There are some of more -- our installations that are more complex or sophisticated in nature that actually require us to be in person. A good example would be our Elite business within Legal in that regard. We're closely monitoring that. And as our customers return to their respective offices, we'll have better insights on that timing.

In regards to the net sales, the net sales are primarily impacted with our Big 3 customer segments. We have assumed a significant haircut in our net sales in Q2. We're not assuming negative net sales. We're just assuming lower net sales, which feed our recurring revenues, generating 80% of our revenue. We think that we'll have lower net sales across all of the segments.

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I will mention in the month of April, we did have lower net sales. However, we did have good velocity given the current environment. Illustratively, within Legal, our Westlaw Edge sales in April continued at the same pace as they did pre-COVID at the same premium. So hopefully, Michael, that helps.

Y. Cho - *JP Morgan Chase & Co, Research Division - Analyst*

That's great. And if I could just squeeze one in on cash flow. In the cash flow, what's the 2020 free cash flow impact from the customer collection delays that you called out? And is there a particular subset of clients that you think might have higher variability?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure, Michael. Let me break that down into 2 pieces. If you look at the revenue decrease or haircut, we believe the majority of that impact on free cash flow will be offset by our cost-containment initiatives that Steve and I mentioned. If you look at the decrease in our full year free cash flow, it is driven by our assumption of lower collections from our clients. We value our client relationships, and we plan on supporting them during this period.

The areas that we're focused on the most, Michael, would be our small firms, whether it be Legal, Tax & Accounting. It's early innings yet. Our collections in April were pretty good. However, that's an area, as we go through the next couple of months, we feel like we'll have to support and are willing to support our customers.

As we go into the Q2 earnings call, we'll certainly have more history of collections, but that's our current assumption. And Michael, we believe that's temporary in nature, and we'll recoup the timing of those collections in 2021.

Operator

Your next question comes from the line of Drew McReynolds from RBC.

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

Yes. A big picture question for you, Steve, I know a little bit fresh on the job and COVID's taken over here. Would be curious to just get your initial thoughts on where you see the 1 or 2 or 3 biggest kind of incremental growth opportunities here, given the asset mix. And in terms of what your specific priorities here, let's say, over the next 6 to 12 months, what they would be? And maybe just a last follow-up here. In terms of M&A, to what extent is Thomson still on the front foot here trying to identify tuck-in M&A opportunities?

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

Yes. Thanks, Drew. I'm happy to address that. In terms of the biggest opportunities, look, there's -- candidly, there's too many in the list at the moment. I see them across the Big 3 franchises. Let me give you a couple of examples.

The -- within the Legal area, I've spent a lot of time over the last couple of months speaking with the managing partners and many, many of our customers and -- both before and during the lockdown. And they're saying things to me like look, at first we realized, we've spent too much on real estate and not enough on information and technology. And I think that provides a significant opportunity for us. And we're already starting to see the green shoots around that. And so our move from content to integrated content and software within Legal, I think, is an opportunity that we'll need to execute against.

And the same goes with regard to Tax & Accounting, where our content is essential, and our software really is the workflow for many, many accounting firms. And there's lots of opportunity, given a relatively modest share in Thomson Reuters in that space.

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And with regard to Corporates, I really feel as though we're just starting out. It's the start of the journey. We have good relationships with many general counsel within the corporate sector, and we have good relationships with many heads of tax. But if you look at our overall penetration, it's quite modest. So I think lots of upside there.

In terms of my priorities since starting, Drew, first and foremost, to do what I can to keep our associates safe and to make sure that as a company, we're contributing to the communities in which we operate. And I think we've made some meaningful progress against this.

I hold virtual sessions with our associates a couple of times a week, a dozen or so at a time. And I'm getting a sense for the appreciation they have of the sort of care and diligence that we're applying with and for them. So that's the first one.

The second one is, I do think that we have the opportunity to double down on a couple of our big product bets against the core franchises and potentially be a little bit more selective about freezing or cutting some activities at the long tail of our product development activities.

And then thirdly, I truly believe, as I said in my remarks, that we have an opportunity, particularly post the divestiture of Financial & Risk to make a shift to more of an operating company and take better advantage of scale across the segments. And I think you'll see Mike and I talk more about that in the quarters to come.

With regard to the last part of your question, M&A, we will continue with the strategy that was laid out under Jim Smith. So we'll look to make logical bolt-on acquisitions that better -- that help us better serve our customers within our core franchises. You won't see a change of direction as it pertains to that.

If anything, we see coming out of this crisis, given the strength of our balance sheet, more opportunities, not less. But we're going to be very, very diligent about assessing, first and foremost, the impact of a particular acquisition and our ability to better serve our customers and provide a better customer experience. Secondarily, the fit and so forth of the underlying technologies that we're acquiring. And then last but not least, of course, the financial aspects. And we'll be as methodical and thoughtful as we always have been, if not more going forward.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

And Drew, if I could just add a couple of points there in regards to growth opportunities. We're very optimistic about our Government business, which is about $450 million of annualized revenue. We did the small acquisition earlier in Q1 with Pondera. But if you look at areas like fraud, waste and abuse, I think Steve Rubley, who runs that business, is doing a great job with it. So I could see both organic and inorganic opportunities in Government. And the other one I would mention, Drew, is within our global trade management business, just given supply chain issues, opportunities that are surfacing now. I think those are 2 additional opportunities for us to focus on.

Operator

Your next question comes from the line of George Tong from Goldman Sachs.

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

You're targeting $100 million in cost savings from discretionary expense savings in response to the coronavirus. Can you talk about the timing of when you expect to realize some of these savings? And how much may be permanent in nature?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure, George. It's Mike. In regards to the $100 million, we will achieve all $100 million in calendar year 2020. We're incredibly confident on our ability to do that.

Two illustrative examples, George, would be T&E, travel and entertainment. Another example would be our consulting and use of third parties. There are other items, which are primarily discretionary in nature, and we're also confident in our ability to maintain that level of savings as we go into 2021.

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

Just an additional comment. I think when we started to assess the revenue, the top line impact and potential impact of COVID-19, we were quick to put the cost-reduction efforts in place and very, very focused on costs that are not customer-facing and that don't directly affect our associates.

To my earlier points, we're confident we're going to emerge stronger out of this. And in order to do so, we need to continue to invest in our customer-facing activities and continue to invest in our associates, particularly in areas like AI and software development. So we're not taking our foot off the gas when it comes to those critical areas.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

George, I would just add. You asked specifically about the exit of $100 million and also to Michael's questions on free cash flow. For benefit of everyone, we are currently assuming that we spend our full capital expenditure budget, which is about $480 million on an annualized basis. So if you look at our free cash flow target of $1 billion, that assumes full use of it. We'll certainly monitor that during the course of the year. We're very focused on maintaining the growth factors for 2021 and of on. Just wanted to clarify that.

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

Very helpful. And just as a follow-up in your updated full year revenue growth outlook, you did mention 100 bps of negative impact on lower new sales in your Big 3 recurring revenue streams. Can you talk about how renewals and pricing trends in general are performing currently just within your Big 3 segments?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure. I'll start with that. We're very pleased, George, in regards to the first quarter in regards to our renewals. It certainly varies segment by segment and even by subsegment, but we think given the -- how we're embedded with any of our customers, we could have actually some upside on our retention as we go through the year. Many of our contracts are multiyear in nature. For example, about 60% of our contracts within Legal are multiyear, normally 2 to 3 years in range there.

In regards to the net sales haircut that we are estimating, a lot of that happens in Q2, certainly no negative net sales but lower net sales, lower net sales across the Big 3 for Q2, some lower net sales in Q3, and we then expect it to begin to pick up. But the impact on that, George, as you know, will have lower impact in 2020 and more impact in 2021.

Pricing. Pricing certainly happens throughout the year based on when contracts come up for renewal. The largest portion of our pricing happens in Q1 of each year. So that is here and behind us. Some of our tax happens later in the year. We currently expect retention overall to be flat to 2019, which was slightly over 90%.

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

And just to add to that, the only thing I'd add is that our leading-edge products like Westlaw Edge and Checkpoint Edge, HighQ, these are efficiency tools. And so what our sales team are doing is just making those points to customers. And so far, even in the depths of April, that is proving to be pretty effective.

Operator

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

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

How are you thinking about potential structural changes to the Legal and Tax & Accounting markets post COVID-19? Would you see some share shift towards maybe the larger firms from smaller firms? And just any other changes that could impact your business positively or negatively?

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

Look, I think as we sit here today, it's hard to predict. Certainly, the heads of the largest global law firms and the largest accounting firms predict that they are going to take share. I've certainly heard that from many of them through this period of time. So that's one point of view.

I think another point of view is that it's actually the middle that will suffer. So the small, very, very nimble firms that have great customer relationships will be okay and will adapt. And the biggest of the firms have the buffer and the diversity of the lines of business to weather the storm, and it will be the middle that will suffer. To date, we do not see any acute signs of pressure. But as you can imagine, we're monitoring it very, very closely.

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

Got it. And then in terms of, I guess, the shift to digital in Legal, can you just talk a little bit about does this current environment sort of accelerate that shift and what you're doing there? Or I just wanted to understand basically how far along you think you are. And how much more there is to go on the transition to digital?

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

Toni, we see it unequivocally shifting that transition. So within -- let me just give you a thought on Legal and a thought on Tax & Accounting. Within Legal, as I said, most of the managing partners have sort of gone through the last month to 6 weeks and realized that over time, they spent too much on real estate and not enough on information and technology. That is to our advantage. And we think coming out of this, as I said in my remarks, we're going to see more demand for accurate, timely, useful information delivered digitally and accessible 24 hours a day. And most, if not all, of our solutions are geared for that environment. That's the first thing.

The second thing is the tax and accounting profession enjoys a reputation as being slow to transition to new products and technologies. And we're starting to see some of that resistance evaporate. So they have great loyalty to us. We have worked with many, many of these firms for decades. But one example would be the folks who were resistant to putting their tax return activity in the cloud -- into our cloud-based solutions have realized through this crisis that they just may not have a choice.

So I know that the number of the big technology, Silicon Valley technology players have commented that they've seen sort of 2 to 4 years of digitization and transformation in the last few weeks. We're seeing a version of the same within our customer base.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Toni, I would just supplement. In addition to using digital for more of the commercial, go to market, sales and renewals, also for supporting our clients, over the last 6 weeks, we've actually seen our call volumes remain at pretty steady levels. And I think we'll see more of that shift to more self-service, we call it MyTR within the firm, the more self-service capabilities for our clients will be really important. And enabling that will be data analytics. We're investing more in analytics across the firm, but especially with our go to markets.

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Operator

Your next question comes from the line of Manav Patnaik with Barclays.

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

Yes. And Steve, congratulations, welcome. I'm looking forward to working with you again.

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

Thanks, Manav.

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

My first question is just on the Westlaw Edge product and maybe even Checkpoint Edge, can you just talk about where you are in terms of the penetration, the upsells? Just a little bit more color on where that's progressing, how far along we are.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. I'll start with that one. In regards to Westlaw Edge, just as a reminder, we concluded 2019 at about 33% penetration on an annual contract value basis. We're approaching 40% at the end of Q1. The premiums that we experienced, price premiums in 2019 are continuing into Q1 and actually, as I referenced earlier, continuing into April. So good movement in regards to Westlaw Edge, and we continue to estimate that by year-end, we will approach 55% penetration for annual contract value.

Checkpoint Edge is coming along, and we would expect that to accelerate as we progress during 2020. I think that the key item there is leveraging AI, machine learning, et cetera, with our products. So pleased with the progress overall, Manav.

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

Got it. And then just in terms of the -- I understand usage of your products are probably going up for those that have it. Just some color on the -- how the contract structure works in terms of usage or users? Does that presume there will be pain at every customer and companies? And also in that customer count that you gave, like what is the rough mix of small, medium and large?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. I'll start with that. In regards to our contracts, we do not anticipate opening up our contracts during this period. We're certainly going to support our customers, but more so from the standpoint of contract payment terms. But we're going to maintain the integrity of the committed contracts that we have, supporting about 80% of our business. So we're not making any wholesale changes in the way that we handle our contract structure and commitments. We'll support our clients more from the standpoint of payment terms.

We certainly monitor the product usage on a daily basis across our firm and including orders. We saw a small dip immediately when the work from home started across the economy, but we saw it quickly pick back up to pretty normal levels.

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

Yes. And the other comment I'd make to that, Manav, is we've analyzed sort of every form of pressure through our customer base and onto our business that you can imagine, you can think of. And a couple of things. I think to Mike's point, we see products like Westlaw Edge continuing on the same trajectory, in the same path as they were before the crisis.

And very importantly, our products and solutions are a source of efficiency and cost reduction for our customers across their entire cost base. That's how we're increasingly selling this, and that's how they're increasingly being viewed. And so we're not obviously -- we're not ignorant to the pressures that our customers are facing and are going to face, but we're part of the solution not the problem.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

And Manav, just an additional point in regards to the segmentation or stratification question you asked. About 34% of our Big 3 revenue is within small firms, which equates to about 30% for total TR.

Operator

Your next question comes from the line of Aravinda Galappatthige from Canaccord.

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

And Steve congrats on the role and welcome to your first conference call. My question is on the...

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

Aravinda, could we ask you to get a little closer to your phone? It's just a little hard to hear you, please.

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

All right. Will do. Hope that's better.

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

Mike -- Aravinda, that's better.

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

My first question is on the color you gave on the comparison versus the recession in the pivotal time in 2008, 2009. The one thing that stood out to me was last time around, the recovery in the Legal business, the impact on the Legal business was a little bit more lagged. I mean if my memory serves me correctly, the quarterly decline rate did not bottom out until around Q1 2010. When I look at some of the guidance that you've given on a quarterly basis, obviously, you're expecting a more sooner recovery starting the second half of the year. Is that simply based on the different structural factors that you talked of? Or obviously, there are differences in the recession of 2008 and 2009. That was far more severe, but I just wanted to get your thoughts on that.

And a quick follow-up on your update to the Refinitiv transaction. Just wondering if you can just walk us through sort of the approvals process. I know there's a little bit of a delay on the European side of the approvals. Is there anything to update on that front?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. I'll start with the responses and ask Steve to jump in. When we think about 2020 COVID-19 versus 2008, '09, certainly, different macro factors are at play. And as Steve mentioned, Legal, excluding Print, bottomed out at about 2% on an annual basis in 2009 and '10. We think, certainly, our product mix is different than it was today. Back in 2008 and '09, we had not even launched WestlawNext. And we now have Westlaw Edge. And just given the activity that we've seen in April, we think the demand from our clients will continue, have more of a must-have.

So I think the strength and mix of our offerings are much different now. And the degree upon which we're further embedded with our clients today is another big factor. So I think those are some of the factors that give us confidence in regard. Certainly, as Steve and I mentioned, we'll provide another update at Q2 as we learn more.

In regards to the Refinitiv transaction, based on feedback from the Refinitiv management, their viewpoint is currently, between Refinitiv and LSE, that the transaction is still on target to close by the end of 2020. Certainly, the current environment has created some additional challenges and delays here and there. But overall, based on our conversations with Refinitiv, their confidence level is high, which was confirmed by the LSE during their recent earnings call. Steve?

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

Nothing to add, Mike. Well said.

Operator

Your next question comes from the line of Tim Casey from BMO.

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

Two quick ones for me. Steve, regarding your comments about an accelerating shift of customer behavior. On a net basis, is there not some offset to that, that you'll see an acceleration of Print decline? How should we think about those 2 metrics? And then you mentioned your global trade management business is one that you're quite excited about. Could you scale that for us? I think you mentioned $450 million from Government. Is it close to that size? Or is it smaller?

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

So let me take the first one, Tim, and I'll defer to Mike for the second. As I said, we certainly see the acceleration in a shift to virtual offices to digital solutions. And we think that, that plays nicely into the set of products and solutions that we have in the marketplace and those that we are developing, leading into our AI, machine learning and software development capabilities.

As for the decline in Print, we've been, I think, very prudent and conservative in terms of what the impact in Q2 on Print will be because, to the extent that there are legal librarians who are not in their offices and on-campus and so forth, they're not there to receive books, and so we've really taken a significant haircut in Q2. And we're being, I think, very conservative as to sort of a gradual return to activity through the rest of the year.

As to whether this contributes to a broader and more accelerated decline in Print, we have, I think, that baked into our sort of long-term expectations in any case. And to the extent that it is accelerated by this crisis and the change in behaviors, we're confident that the acceleration in shift to our digital solutions will more than offset that.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Tim, in regards to our global trade management business, we will approach USD 100 million this year in 2020 on an annualized basis. Remember, back in Q4 2018, we acquired Integration Point. And we see that business continuing to grow nicely in '21 and beyond.

Operator

Your next question comes from the line of Vince Valentini from TD Securities.

Vince Valentini - *TD Securities Equity Research - Analyst*

Yes. One clarification and one question. Mike, you said 25% tax on the $7.6 billion value for your LSE shares. Can you just confirm there's 0 cost base there, so you'll expect to pay a full 25% in 4 years?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Simplistic answer, Vince, that would be the easiest way to look at it. It's roughly 25% on that. The cost base is very low.

Vince Valentini - *TD Securities Equity Research - Analyst*

And second question, if I can just try to unpack your Slide 29 a little bit. Prior to the COVID crisis, you had certainly been expecting the organic growth in 2021 to be at least as good as 2020. If I look at this slide, and you're taking these somewhat onetime hits in the Events business and installation revenue, is there any reason -- if we go with your base case scenario that the economy is recovering by the second half of the year, is there any reason not to think that if you expected 5% organic revenue growth before, that you'd now expect 7% organic revenue growth in 2021?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Vince, it's a fair question. I'm going to refrain from going into much detail on 2021 today. As we come back with the Q2 call, hopefully, we'll have some additional insight. Hope you can appreciate there are just so many moving pieces right now. We certainly remain very optimistic with the foundation of our business and the strong underlying book of business driving the recurring. But if I could ask just for a little time, Vince, on the 2021 outlook for all the metrics, that would be helpful.

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

Operator, I think we have one final question, please.

Operator

That question comes from the line of Gary Bisbee from Bank of America.

Gary Elftman Bisbee - *BofA Merrill Lynch, Research Division - MD & Research Analyst*

I guess one question for each of you. First for Steve, so you talked about initial impressions and opportunities. One that you mentioned was further operating model efficiency potential over time. And as part of that, I heard a comment about product development. Can you just help us, from a high level, understand what you're thinking? Is this really the concept of post separating half the company, the business has not necessarily been rightsized or as efficiently set up for the current scale of the business? Or is there something more targeted and specific you have in mind at this point?;

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

Yes. Look, I don't think it's a question of sort of a big disconnect, Gary, in terms of the size of the overhead or the rightsizing of the cost base. I think it's more specific than that. So there was -- prior to the divestiture of the F&R business, there was something of a holding company feel to the company. And I think we still have some of those vestitures today. And given the size of that F&R business, I think that was understandable at the time.

But we have a pretty exciting opportunity to look across the business, identify the areas of activity where in service of our customers, we can do things at a better scale, we can embed more next-generation technology in those underlying activities and do them significantly more efficiently. And that is every activity, you can imagine, starting from the way in which we capture and store data and information through to application of AI and machine learning and the development of products. So that's the first thing.

And on the product development lens, I think we've just got some room to improve there. I think our ability to -- we are very focused on our customers. We have a lot of talented sales and customer service people who have truly special relationships with the accountants and the lawyers and the executives with whom they work. But I think our ability to truly understand the decisions that our customers are making and translate that back into the solutions we are providing, there's some real upside there. And I think we can get better, we can get faster and more agile at doing that, both in terms of understanding those needs today and anticipating them and getting them into the product, features and functionalities going forward. And this is imminently achievable, but there's nothing sort of overly scientific or more difficult about doing this. We've just got to set about doing it.

Gary Elftman Bisbee - *BofA Merrill Lynch, Research Division - MD & Research Analyst*

Great. And then a follow-up for Mike. So the cost-reduction commentary you gave about this year, it sounds like a lot of that is discretionary that goes away but could come back in the future. Is there any way to think about the cadence of that? Is that -- do you think those costs largely would come back in line with revenue? Or do you have some discretion as to when to bring those costs back?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Gary, we're going to work to ensure that those costs do not come back in the aggregate. There could be a slightly different mix as we go into 2021 but certainly, a very strong focus on those. Discretionary costs will be a permanent part of our DNA with that. So it could be a slightly different mix, but I'm optimistic we'll be able to hold that as we go into '21.

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

Yes. Can I just add? I think, Gary, many of the companies you follow will say virtually the same thing. But in a sense, notwithstanding the human crisis here, this is the great experiment, right? And so we cut those costs, and we see what happens. And so far, we haven't missed it, not $1 of it. So that's the first thing.

The second thing is that it really, I think, gives us courage in our convictions to double down on our bigger bets that our customers truly value, right, both the Legal, the Tax & Accounting and Corporates, the Government components of our business, and we're in the process of doing that. And so far, the results, that have been also very, very promising. So we plan to continue on that path through the rest of this year and use that momentum heading into 2021.

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

So that will be our last question for the day. We know that there was an awful lot to digest there. We very much appreciate your time and attention on this call. I'm sure you'll have follow-up questions, so please don't hesitate to reach out for me and for Megan, and we will be available to help you with that. Thanks very much for joining us this morning, and have a good day.

Operator

Ladies and gentlemen, this conference will be available for replay after 10:30 Eastern Time today through May 12. You may access the AT&T executive replay system at any time by dialing 1 (866) 207-1041 and entering the access code 8916567. That does conclude your conference for today. Thank you for your participation and for using AT&T TeleConference. You may now disconnect.
