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EDITED TRANSCRIPT

TRI.TO - Q3 2026 Thomson Reuters Corp Earnings Call

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PRESENTATION

Operator

Good day, everyone, and welcome to the Thomson Reuters third quarter earnings call. Today's conference is being recorded. At this time, I would like to turn the call over to Gary Bisbee, Head of Investor Relations. Please go ahead.

Gary Bisbee - *Thomson Reuters Corp - Head of Investor Relations*

Thanks, Ruth. Good morning, and thank you all for joining us today for our third quarter 2026 earnings call. I am joined by our CEO, Steve Hasker; and our CFO, Gary Bischoping. Steve and Gary will discuss our results, and then we will take your questions following our prepared remarks.

To enable us to get to as many questions as possible, we would appreciate it if you would limit yourself to one question and one follow-up each when we open the phone lines.

Throughout today's presentation, when we compare performance period on period, we discuss revenue growth before currency as well as on an organic basis. We believe this provides the best basis to measure the underlying performance of the business.

I would also note that our third quarter results reflect our former Global Print business reported as discontinued operations. Prior period financials have been revised to this basis.

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Today's presentation contains forward-looking statements and non-IFRS and other supplementary financial measures, which are discussed on this special note slide.

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 may access these documents on our website or by contacting our investor relations department. Let me now turn it over to Steve Hasker.

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Thank you, Gary, and thanks to all of you for joining us today. Momentum continued in the third quarter with revenue growth and margins ahead of our prior expectations. Total company organic revenues improved to 10%, while the Big 3 grew by 10% for a second consecutive quarter.

We are updating our full year 2026 outlook to incorporate the Global Print transaction and now see total and organic revenue growth of approximately 9.5% and 8.5% to 9% respectively, versus 8% previously. Our Big 3 total and organic revenue outlooks remain unchanged at 9.5% to 10%.

We forecast margins of approximately 39%, which includes the impact of reflecting Global Print as discontinued operations. Excluding this impact, our margin outlook is unchanged.

Good momentum continues from many areas across the portfolio, with double-digit growth from key products, including CoCounsel Legal, Pagero, CoCounsel for Tax & Audit, SafeSend, Global Trade, and our international businesses.

We continue to invest heavily and remain encouraged by the growing traction of our innovation engine. Commercial momentum across our AI-enabled offerings continues to build, and our pipeline of features and offerings in development continues to expand.

As it relates to the next-generation version of CoCounsel Legal, we are very encouraged by the initial customer engagement. We are also excited about the recent launch of the next-generation version of CoCounsel Tax, Audit, and Accounting, and about the continued e-invoicing growth opportunity through Pagero.

I will expand on these topics in a moment. As an update to our discussion last quarter on Thomson, our family of proprietary large language models, we are working with Skadden, Arps on a strategic AI design partnership that brings together Thomson, our authoritative legal content, and Skadden's extraordinary institutional expertise.

As these discussions progress, we believe this has the potential to shape the legal AI industry and validate the role purpose-built AI will play in professional work, particularly as firms look to protect their data and demand a higher standard of trust, accuracy, and accountability.

We look forward to sharing more on this topic in the future. Our capital capacity and liquidity remain a key asset that we are focused on deploying to create shareholder value. We remain committed to a balanced capital allocation approach, and we continue to assess a number of inorganic opportunities.

Our capitalization remains robust, positioning the company to be both aggressive and opportunistic going forward. Turning to the third quarter results by segment, the Big 3 segments delivered 10% organic revenue growth for a second consecutive quarter, up from 9% in prior periods.

Legal organic revenue grew 9%, driven by continued momentum with law firms and slightly lower government growth than in Q2. Westlaw and CoCounsel Legal were key drivers.

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Corporates organic revenue grew 10%, driven by offerings in our legal, tax, and risk portfolios, and the segment's international businesses. Pagero remains a key driver. Tax, Audit, and Accounting organic revenues grew 10%, driven by CoCounsel for Tax & Audit, our Latin American business, and SafeSend.

Reuters organic revenues rose a strong 12%, with healthy underlying trends boosted by AI-related transactional content licensing revenue. In summary, we are pleased with the continued good momentum in the third quarter.

I will now provide a few updates on our product innovation progress. We remain excited about the accelerating pace of innovation across our businesses, which is contributing to an expanding market opportunity and stronger growth for our company. Let me provide a few recent updates.

I will start with Legal. The next-generation version of CoCounsel Legal is off to a very encouraging start. In September, the first full month after the general availability launch, CoCounsel NextGen has surpassed the prior version's best month to date on every engagement and retention measure that we track.

It now carries the majority of the user base for the CoCounsel Legal AI bundle, and its active user base up more than 60% in September from August.

CoCounsel Legal NextGen users are completing 2.4 times the work versus the peak for the prior version and are active 44% more days per month, and they are also retaining at higher levels. While it is early, product NPS scores are also more than twice the best month on record for the prior version.

As we have delivered the rebuild of CoCounsel, we have sharply accelerated our pace of feature development, with the number of new releases into CoCounsel up by nearly 50% in Q3 from the pace in Q1. I will briefly mention a few of the recent advancements.

In August, we introduced Westlaw Brief Builder into CoCounsel to support the highly complex and time-consuming work of drafting litigation briefs. Brief Builder, grounded in Westlaw and Practical Law, enables lawyers to work iteratively with AI to draft compelling, authoritative, and correctly formatted briefs in their own style in far less time.

Like with the introduction of Westlaw Advantage, we believe Brief Builder is a major step forward in capability that TR is uniquely positioned to deliver. It currently supports five litigation brief types, including motion to dismiss and motion to compel, and tomorrow, we will expand coverage to 24 brief types, including motion for summary judgment.

In mid-October, we announced the new multinational profile in CoCounsel Legal, which brings legal content from more than 100 countries into CoCounsel workflows. Legal teams can now research cross-border questions, compare requirements across jurisdictions, flag issues that need local counsel, and trace every finding back to its source, all without leaving the platform.

It is grounded in Thomson Reuters trusted legal content and official legal and regulatory resources. In October, we brought next-generation agentic versions of CoCounsel Legal to the UK, Canada, and Australia, following the US general release by only two to three months.

This is meaningful acceleration from our history, where overseas capability launches have frequently trailed the US by as much as 12 months. Two weeks ago, we launched the next generation of CoCounsel Tax, Audit and Accounting, a fully agentic AI platform built specifically for tax, audit and accounting professionals.

This next-generation product takes professionals from source documents and client data to finished, defensible work product in a single workflow. The prior generation offering could plan work and answer questions.

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With this latest release, CoCounsel Agents expand deeper into actually doing the work. Tax and audit work turns on judgment, not just math. So CoCounsel grounds every calculation in the correct authority, runs verified calculations, and delivers outputs, including multi-tab Excel workbooks and memos that follow a firm's own templates.

Through clear audit trails, professionals can see how CoCounsel reached each answer and validate outputs themselves. That is where our foundation matters.

CoCounsel draws on Checkpoint, with more than 12 million primary source and analytical documents maintained by hundreds of experts to deliver to our fiduciary-grade AI standard. It connects through MCP and integrates with tools like UltraTax, so it fits the way our customers already work.

The result is faster execution without sacrificing quality, freeing up our customers to work on higher-value tasks. Lastly, let me comment on Pagero, which has been a strong performer since our acquisition in January 2024.

We continue to invest in Pagero to expand its geographic coverage, adding eight more countries year to date. We now support our customers growing e-invoicing compliance needs in more than 90 jurisdictions.

The e-invoicing industry is benefiting from a wave of new government regulations as tax authorities increasingly move from periodic, backward-looking to real-time and continuous reporting regimes. We see this regulatory demand-driven growth opportunity continuing as an additional 50 mandates are expected to go live in the next three years.

Our broader transactional compliance footprint, which in addition to e-invoicing includes our ONESOURCE Indirect Tax and Global Trade offerings, is growing well into the teens and is gaining market share versus our competition.

We believe the breadth of our offerings and quality of our solutions are unique differentiators in the market, a view that has been consistently endorsed by third parties. For example, our e-invoicing solution was recently named as a leader in the IDC MarketScape 2026 Worldwide Compliant e-Invoicing Vendor Assessment.

Our ONESOURCE solutions have previously been named a leader in four IDC MarketScape reports for value-added tax, sales and use tax, and Global Trade, which makes Thomson Reuters the only provider named a leader across all four transactional compliance categories.

I will now turn it over to Gary for a review of our financial results.

Gary Bischoping - *Thomson Reuters Corp - Chief Financial Officer*

Thanks, Steve. As a reminder, throughout my remarks, I will talk to revenue growth before currency and on an organic basis. Third quarter organic revenues grew 10%. Organic recurring and transactional revenue grew 8% and 23% respectively.

Adjusted EBITDA increased 10% to $651 million, with a margin of 35.5%. One other item to note, the year-over-year decline in our IFRS profitability measures reflects the impact of a gain on the sale of our remaining minority equity interest in the Elite business in the third quarter of 2025.

Continuing on the growth theme, Big 3 organic revenue again grew 10% in the quarter, continuing the improved pace achieved in the second quarter. Legal Professionals organic revenue grew 9% as underlying law firm momentum continued, driven by Westlaw and CoCounsel Legal.

Our US large, mid, and small law subsegments all remained at or near record growth rates. Government growth slowed slightly to 4%.

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Legal Professionals excluding government rounded down to 10% in the quarter, though the growth rate was only 20 basis points below that of last quarter. International growth slowed slightly, but we are confident that it will improve in coming quarters following the Q4 launch of the next-generation version of CoCounsel Legal in the UK, Canada, and Australia.

Our Corporates segments grew 10% organically, in line with last quarter. Recurring revenue rose 8%, and transactions revenue grew by an impressive 23%. Pagero, CLEAR, CoCounsel Legal, Indirect Tax, and our international businesses were key contributors.

The transaction strength over the last two quarters was boosted by Pagero implementation revenue, particularly around the large and complex e-invoicing mandate in France that went live on September 1. We expect transactions revenue to moderate in the fourth quarter, but to remain healthy by historical standards.

Tax, Audit, and Accounting organic revenue growth improved sequentially to 10%. Recurring and transactional revenues grew 10% and 11% respectively. Our Latin America business, CoCounsel for Tax & Audit, SafeSend, and SurePrep were key contributors.

We continue to progress with efforts we mentioned last quarter to sharpen our go-to-market execution and drive customer migrations to our latest products. The improved revenue growth in the quarter is encouraging, though we have more work to do to deliver our aspirations for stronger future growth for our business.

In our Reuters business, organic revenue grew 12% for the quarter, boosted by approximately $19 million of transactional generative AI content licensing in the quarter. Excluding transactional AI licensing revenue in the third quarter of both 2026 and 2025, Reuters grew 7%, with positive contributions from the agency and professional businesses, and from the news agreement with the data and analytics business of LSEG.

We expect Reuters growth to be flattish year-over-year in the fourth quarter due to lapping $5 million of transactional AI licensing revenue from the prior year period, along with tougher comps at agency and in portions of the professional business.

On a consolidated basis, third quarter organic revenues increased 10%, ahead of our expectations from a quarter ago. At the end of Q3, our annualized contract value, or ACV, from products that are GenAI-enabled was 34%, up from 30% last quarter and 24% a year ago.

From a profitability perspective, we delivered adjusted EBITDA for the Big 3 segments of $648 million, up 7% from the prior year period, with a margin of 40.3%. Reuters adjusted EBITDA was $56 million, with a margin of 24.3%.

In aggregate, total company adjusted EBITDA was $651 million, a 10% increase versus Q3 of 2025, reflecting a 30 basis point year-over-year margin decline to 35.5%. Our Q3 results included $22 million of severance expense related to our initiatives to reimagine how we work, which is a 120 basis points drag on our adjusted EBITDA margin.

I will comment in a moment on the impact of reporting our former Global Print segment as discontinued operations. If we had included print results, our margins were nearly 100 basis points ahead of the initial outlook for Q3 we provided on August 5.

Adjusted EPS was $0.81, up 14% from $0.71 the prior year period. Currency added one penny of adjusted EPS in the quarter. For the third quarter, our free cash flow was $408 million versus $526 million in the prior year period.

Working capital changes plus higher cash taxes drove the decline. I will also provide a quick update on several capital allocation items. In July, we repurchased $238 million of our shares, completing the $600 million NCIB announced in February.

In September, we issued just over $2 billion of new senior notes, and through early October, we have repaid the $1.6 billion of commercial paper borrowings we had on June 30. Our balance sheet remains robust with leverage of one times as of September 30.

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The $500 million of proceeds received from the sale of a 51% stake in our Global Print business to KKR on October 1, further strengthened our financial position. Now let me share a few thoughts to help with your modeling on the Global Print transaction.

On October 19, we issued a schedule providing revised historical financial information treating Global Print as discontinued operations, which is the basis on which we have reported our third quarter results. I would like to clarify one point about the discontinued operations reporting.

Prior to the transaction close on October 1, two key arrangements between TR and Westbridge Print are not included in results. First, Westbridge Print will pay a royalty to Thomson Reuters for the exclusive license to distribute the company's intellectual property in print form and on ProView, its e-book platform.

Royalty is equal to 20% of Westbridge Print's professional revenue, which is 85% to 90% of its total. Second, Westbridge Print entered into a multi-year agreement where it will reimburse Thomson Reuters for certain transition services as the joint venture migrates to a standalone entity.

We refer to these as Transition Services Agreement, or TSA. When these two arrangements are included, which will be again with our fourth quarter results, they are expected to largely offset stranded costs from the separation.

As a result, we continue to expect the impact from the Global Print transaction to be approximately neutral to adjusted EBITDA margins following the close. However, the discontinued operations treatment in periods prior to the transaction close, which include both the revised historical periods and the third quarter, are dilutive to margins, as the royalty and TSA are not included.

The right half of the slide illustrates this impact, as the total company adjusted EBITDA margins of 35.5% would have been 36.6% if the transaction had closed on July 1, and thus the royalty and TSA were included in the quarter.

Going forward, we report the royalty from Westbridge Print in revenue and show it in the corporate center in our segment reporting schedule.

The TSA will be accounted for as a contra expense within our corporate center expense line in the segment reporting. We continue to see the transaction being approximately 60 to 70 basis points accretive to our organic revenue growth.

I will conclude with a few thoughts on our outlook. As Steve mentioned, we are updating our 2026 outlook to incorporate the impact of the Global Print transaction that I just discussed.

For revenue, we are raising our total and organic revenue growth outlooks from approximately 8% for both metrics to approximately 9.5% for total and a range of 8.5% to 9% for organic. Our outlook for Big 3 revenue growth remains unchanged, with total and organic both projected to be in a range of 9.5% to 10%.

We see 2026 adjusted EBITDA margins of approximately 39%, which, as I discussed a moment ago, results from the impact of the discontinued operations treatment of the print business. Adjusting for the print transaction impact, the margin outlook is unchanged from our prior view.

For the Big 3, our margin outlook also remains unchanged. Our outlook for free cash flow continues to be approximately $2.1 billion, and that's despite the loss of one quarter of Global Print cash flow. Slightly improved cash taxes and working capital provide the positive offset.

We now see our capital expenditures being 8.5% to 9% of revenue, as there was minimal incremental capital investment in the Global Print business.

We are fine-tuning our depreciation and amortization forecasts and raising net interest expense to the upper end of the prior range, as we incorporate proceeds from the print transaction and the recent debt issuance into our forecasts. Our outlook for the effective tax rate remains unchanged.

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Turning to the fourth quarter, we expect organic revenue growth of approximately 8% and our adjusted EBITDA margin to be approximately 42%. Note that Reuters contribution to year-over-year revenue growth in Q4 will be approximately 1.5-percentage-points less than in Q3.

Looking forward, we are currently in our annual planning cycle and will provide more detailed 2027 guidance on our Q4 conference call in February. I want to share our early thinking.

Given the significant opportunities to expand our medium to longer-term growth profile through AI-driven investments, we currently anticipate reinvesting a portion of our underlying operating leverage during 2027.

We remain confident in our ability to continue to expand margins given our business model's operating leverage and our ongoing automation efforts. We have conviction that any incremental investments we choose to make will pay off over the next few years through accelerated revenue growth. We will continue to provide more detail on our Q4 call.

QUESTIONS AND ANSWERS

Gary Bisbee - *Thomson Reuters Corp - Head of Investor Relations*

Thank you, Ruth. We are ready for the Q&A.

Operator

(Operator Instructions) Drew McReynolds with RBC Capital Markets.

Drew McReynolds - *RBC Capital Markets Inc - Equity Analyst*

Yes. Good morning. Two for me. First, with respect to Q4 organic revenue growth of 8%, I think in the prepared remarks, the sequential downtick when you just strip out some of the licensing revenue in Reuters of Q3 is really related to a deceleration of transaction revenues and then a lower contribution from Reuters.

Just wondering if that is the right take here, if there are other puts and takes. If you could just comment on those, that would be great. Then second question, with respect to CoCounsel Legal, great to see all of the traction and momentum there.

Just as you head into, I think, what is still a seasonally high order for renewal activity, just what are you seeing with respect to kind of uplift with respect to CoCounsel Legal, including just customer reaction and maybe pricing dynamics to the extent you can comment on those? Thank you.

Gary Bischoping - *Thomson Reuters Corp - Chief Financial Officer*

Drew, you really got the key factors related to that 8% revenue growth in Q4. As we mentioned, the slower growth in the fourth quarter, our expectations are for flattish Reuters growth, some moderation in transactional revenue growth, as we talked about, given the rise we saw in the prior quarter from the France implementations.

On Reuters, I would just add that in the fourth quarter, we'll lap $5 million in transactional AI licensing revenue from the prior period. They also are facing, like I said, kind of tougher comps in the agency and professional business.

The last piece I would add is this includes a decision that we made from a Reuters event to cancel it in the Middle East due to security concerns. Steve, do you want to talk about the CoCounsel opportunity in the fourth quarter?

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Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Yeah, sure. Drew, as you know, CoCounsel for us attacks a white-space opportunity. If you think about sort of law firm and general counsel spend beyond legal research, beyond sort of know-how and Practical Law and so forth, CoCounsel is in that legal AI assistant space, and it's white-space growth.

What we see is a 5 to 10 year TAM expansion, and I think we're just at the start of that, and I've talked about that on these calls before.

Essentially, what law firms and general counsels will do, or law firms as a portion of revenues, they are starting to retool so that they're spending more on technology, and for a dollar of revenue, less on people and less on real estate. We think that that's a 5 to 10 year journey of TAM expansion.

CoCounsel Legal in its rebuilt form gives us a great deal of confidence that we're going to win our fair share of that white-space opportunity. The reason for that is that this new version for the first time has native access to Westlaw and Practical Law, and it's an agent that's trained and built by 2,700 practice experts.

It can do things that others can't do. Certainly, the customers who have been using it are telling us that, providing us feedback in spades, firstly.

Secondly, as we look forward to building out our Brief Builder set of capabilities that are outlined, we think that's going to further differentiate us. In terms of its pricing, we're obviously in a competitive market here. We're priced competitively.

What I would say, though, is that over the last month or so, we've ported a heavy token usage function in the form of bulk document review and tabular analysis across to the Thomson model, and that's given us an uptick in speed, an uptick in accuracy, and we think a cost advantage that we plan to take advantage of over the next year or so.

I think relative to August 5, the summary is we've got more excitement and more optimism about CoCounsel Legal than we did at that point.

Operator

George Tong with Goldman Sachs.

George Tong - *Goldman Sachs - Analyst*

Hi, thanks. Good morning. You attributed the Q4 organic growth moderation largely to lower Reuters contribution and moderating corporate transactional revenue. Does the outlook assume Legal and Tax, Audit, and Accounting organic growth remains near Q3 levels, or is there any underlying moderation embedded in either segment?

Gary Bischoping - *Thomson Reuters Corp - Chief Financial Officer*

Yeah, look, we sustained our outlook for the full year for the Big 3. I think we'll continue to see the growth that we want in the Legal Professionals business, in particular, ex-government. On the TA&A side, we saw an acceleration from Q2 to Q3.

That team is still kind of making some of the changes in leadership and go-to-market activities we've talked about. We'll look for them to continue to find that growth trajectory we think they'll sustain here in the long run. Kind of no material change, I would say, as we think about Q4.

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George Tong - *Goldman Sachs - Analyst*

Got it. That's helpful. With respect to margins, Big 3 EBITDA margins fell year-over-year, even though you had very strong organic growth.

Beyond the severance impact, can you talk a little bit more about what drove the underlying margin performance and how you're thinking about reinvesting operating leverage into product and market share gains, and how that's going to translate into margin performance into next year?

Gary Bischoping - *Thomson Reuters Corp - Chief Financial Officer*

Yeah, look, there's, I think, one or two other things I would add to the margin number in Q3. First, we are driving investments in automation and innovation, so we are reinvesting certainly in those areas. Again, I think if you go up periscope a little bit here and think about what we've done over the last couple of years, right?

We've rebuilt CoCounsel, we've built Thomson, and then we've accelerated what we're doing organically with regard to CoCounsel Tax, Audit, and Accounting, and done all that while still delivering that margin accretion we talked about.

So, there's plenty of productivity we're seeing in drop rate through the business model. The other thing that you would see is just modest dilution from bolt-on M&A in the period.

Operator

Aravinda Galappatthige with Canaccord Genuity.

Aravinda Galappatthige - *Canaccord Genuity Corp - Analyst*

Morning. Thanks for taking my questions. Steve, thanks for the update on the innovation side of things. I wanted to switch gears to TA&A. Obviously, you're deploying CoCounsel more meaningfully there.

I feel like we have a better sense of where you stand versus the competition on the legal side in terms of your innovation and deployment of AI.

Anything you can share, any thoughts around where your TA&A product stands versus the broader space with respect to the deployment of AI and some of the innovation that you're talking about? I know it's early days, but some initial thoughts would help. Thank you.

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Thanks, Aravinda. We think there's a similar but different dynamic in Tax, Audit, and Accounting as there is in Legal, insofar as the professional services firms in those areas will undertake a multi-year process of increased automation, and a large portion of that will be AI-driven.

We think there's a white-space opportunity, Tax, Audit, and Accounting, similar to the one in Legal. If anything, in Tax, Audit, and Accounting, the sort of transformation process might be a little bit smoother because of the talent shortage.

In Legal, there's a question of sort of how many lawyers will there be going forward. In Tax, Audit, and Accounting, it's a different question, which is, when will the technology enable the Tax, Audit, and Accounting profession to overcome talent shortages?

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The number of tax returns goes up, the complexity of those returns goes up, the number of audits goes up, and the complexity of those audits goes up. There's a need for technology to fill that gap. That's sort of the backdrop here.

The starting point for us is, we're one of the two largest players in terms of provision of tax calculation engines. We've got three marquee tax calculation engines that span everything from a sole practitioner completing tax returns all the way up to the Big Four and the heads of tax in the Fortune 500 companies.

That's UltraTax, it's GoSystem Tax, and it's ONESOURCE. Those products are high-functioning, they're efficient to run, they're very, very accurate, and they're constantly updated for federal, state, and local tax changes.

The switching costs away from those tend to be high because tax season rolls around regularly, and the products are, as I said, very high-functioning. What we have done to date is introduce CoCounsel Tax, Audit, and Accounting.

We put a new version of that in the marketplace in the last couple of weeks to significant positive reaction from our customers because it's fully agentic. It actually delegates the tasks, and it has native access to applications like Excel. That's the sort of the basis that our AI played to date.

Going forward, we plan to integrate many of what I would call the shoulder activities around that tax calculation engine. I'm talking about things like document ingestion, the pattern recognition, e-filing, follow-up, and so forth.

That's where our Ready to Review and Ready to Advise propositions, we think, will be market-leading. They'll be market-leading for two reasons.

One, they'll be seamlessly integrated into our tax calculation engines, so where our customers are already working. Secondly, as a result of the talent and the capabilities that we have acquired and built through acquisitions like SurePrep and SafeSend, Materia, and Additive.

We're positioned, we think, to pretty rapidly accelerate our rate of product innovation in Tax, Audit, and Accounting, and introduce that as seamlessly as we can into our customer base over the next year or so.

Optimistic about both the growth and profitability characteristics of those entries building on the tax calculation engines and CoCounsel.

Operator

Manav Patnaik with Barclays.

Manav Patnaik - *Barclays Services Corp - Analyst*

Thank you. Morning. My first question, Steve, was just around the white-space you referred to, the workflow opportunity. I was hoping you could give us some quantification or anecdotal color on kind of the size and growth that you're seeing there today.

Because obviously from all your legal tech competitors, you see their updated ARR and growth almost every week on some kind of a social media post. Just curious if you could help us frame where you guys are at.

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Manav, thanks for the question. My take is it's still fairly early innings. I think what we've seen to date is most law firms of varying sizes and many general counsel's offices experimenting with multiple AI legal assistants. Those assistants have, I think, by and large, received positive feedback from associates who are using them.

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But the underlying change management required to drive wide-scale productivity or wide-scale increase in capacity for revenue growth, and therefore ROI, I think a lot of that work is still to come.

Step one for us was to rebuild CoCounsel and fully integrate native access to Westlaw and Practical Law and to make it fully agentic. Step two is to rapidly enhance the capabilities therein, and Brief Builder, I think, is a compelling proof point and one that we think will grow again starting tomorrow.

And then step three is the sort of forward-deployed support to ensure that the individual lawyer, the teams and the practices, and the firms and general counsels more broadly get the ROI that they need to develop that out.

As I said, I think we're in the first innings or two here. I think this will be, as I said earlier, a 5 to 10 year journey that we'll see that TAM expand in healthy ways, provided that ROI is delivered. We're hell-bent on supporting that process for our customers.

Manav Patnaik - *Barclays Services Corp - Analyst*

Okay, got it. Then maybe just one for Gary. In terms of the legal margins, they felt a little bit soft this quarter. Just curious if you could talk about some of the moving pieces there and how we should think about Q4 and your comments in 2027, I guess the investments. Is that specific to legal or broadly all?

Gary Bischoping - *Thomson Reuters Corp - Chief Financial Officer*

Yeah, I think there's a number of factors running around in the kind of legal results in the quarter from a profitability perspective. First, we do push that severance down into the segment level, and so the severance impact in the quarter caused a decline.

There's an impact from the Noetica transaction and a drag in margins there. We are seeing an increase in LLM costs.

That being said, like in my prior remarks, we're more than getting paid for that with the premium tier pricing that we're offering for CoCounsel and the demand uptick that we're seeing from that, as well as our ability to optimize the engineering kind of choices around which model is chosen to solve which prompt, and optimizing that for kind of speed, accuracy, and cost.

Then, as we think about all that going forward, we'll see those margin rates kind of get back to the level we've observed in the legal business here as we exit the year.

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Can I add to that, Gary? Manav, the first thing is I'd push back on the idea that it was soft in the third quarter. I think the combination of severance of the investments in our own internal automation and some minor dilution from M&A contributed to the numbers you see, but they were ahead of where we suggested they'd be on August 5.

The second thing is going forward, the fundamental characteristics of our business is such that we think that the operating leverage is very, very attractive. As we grow faster, that operating leverage expands.

We don't see any change to that or impairment to that as a result of dynamics that are going on in the marketplace. But we have, as Gary said earlier, just this year, as an example, we rebuilt CoCounsel Legal. We have launched a new version of CoCounsel Tax and Audit.

We've put eight new countries in the marketplace for Pagero, and we built and launched and marketed the Thomson model. All of that within the sort of financial envelope that Mike provided a few years ago. I think the question for us going into 2027 is, over and above that leverage, do we see opportunities for additional growth?

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To the extent we see them, we're going to invest in them. We'll be transparent with you and everybody else as to what we think the impact of those investments will be.

But I wouldn't like to sort of leave you with a view that there's softness here or that there's sort of investments required to hold ground. We see this as the fundamental strength of the business, and a question of what we invest in and what the timing of those investments are.

Operator

Tim Casey with BMO Capital Markets.

Tim Casey - *Bank of Montreal - Analyst*

Thanks. Steve, can you talk a little bit about how your thinking is evolving with respect to Thomson LLM? I mean, you mentioned that you have offloaded some token work there, so that's helping margins.

The Skadden, Arps discussion is quite interesting. How should we think about that in terms of a revenue generator versus a cost mitigator? Thanks.

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Yeah. Thanks, Tim. Thanks for the question. As you point out, there are two vectors here, based on what we've seen in the first couple months of conversations with our customers. The first is, we have taken a particularly token-heavy set of tasks around bulk document review and tabular analysis and ported them away from the frontier models to Thomson.

That gives us a speed, an accuracy, and maybe most importantly, a cost advantage. Because if we can get the capacity utilization of that model up to near 100%, then there's a cost advantage there.

What that enables us to do is, in many cases, stick with all-you-can-eat pricing for CoCounsel Legal. We think that that's a particularly compelling offer for private partnerships. That's the first one.

We're in early days, but certainly the reaction of our heaviest users to tabular analysis has been very strong. They like the speed, they like the accuracy, and we're confident in the cost associated there. The second is the idea that for the world's most sophisticated and largest firms, Skadden being the first, that we can support them to create sovereign AI solutions.

In other words, to have a version of the Thomson model family behind their firewall, to run our applications on top of that, and to enable them to create their own applications, which protects their IP, gives them greater control over the application of AI within their firms internally, and maybe most importantly, enables them to build specific applications by practice and by jurisdiction that they view as competitive advantages. We're very excited to be working with Skadden.

It's one of the world's preeminent firms, and we think we're going to learn a lot. We think that they'll learn a lot, and that this will lead to an attractive revenue stream. We have not quantified it yet, Tim. I think it's too early to do so. As soon as we start to get more visibility into the depth and breadth of that opportunity, we'll come back to you.

Operator

Kevin McVeigh with UBS.

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Kevin McVeigh - *UBS AG - Analyst*

Great. Thanks so much. I guess, just to follow up on that, was that a template used for the other large law firms as well, or would this be unique to Skadden in terms of that type of alliance or partnership?

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Kevin, the opportunity exists to license in various forms the Thomson model family to many of the world's most sophisticated firms. Skadden are first and have some particularly unique and in-depth concepts and ideas that we're working with them on. I think the opportunity is scalable, but I would put Skadden at this point in the category of one.

Kevin McVeigh - *UBS AG - Analyst*

That's helpful. Then just with the 2 billion of Canadian notes you issued, the $500 million from the print proceeds, any thoughts as to capital allocation relative to inorganic opportunities? Obviously, you exhausted the buyback already, but just any thoughts? Obviously, there's a lot of excess capital building on the balance sheet.

Gary Bischoping - *Thomson Reuters Corp - Chief Financial Officer*

Yeah. Thanks, Eric. At the highest level, we're very confident in a balanced capital allocation approach that we've been pursuing, and we'll continue down that path around investing organically. Those organic investments that Steve just mentioned are driving that top-line growth that we talked about, right?

Investments in Westlaw, investments in CoCounsel. You're seeing the acceleration in the Legal Professionals growth rate from that. We like the organic investments that we see on the horizon, and we'll continue to put efforts behind those.

The second priority is what you just alluded to, which is inorganic growth. In that context, we have a nice pipeline of opportunities that we see across multiple platforms in our business to provide either bolt-on or material, I would say, improvement in the scale of some of our platforms, as well as the ability to get talent through those acquisitions.

Inorganically, we like the pipeline, and that's part of the reason why we've got this pristine balance sheet. We'll go put that to work. The third point is returns of capital, and we've done that in the form of the NCIB and other returns of capital over time, and we will consistently deliver that balanced approach.

We remain committed to delivering 75% of our free cash flow back to shareholders via returns of capital. So, a balanced approach is the answer, but we quite like where assets are sitting right now in our space and see a nice pipeline in the inorganic side. Steve, what would you add?

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Well covered, Gary.

Operator

Stephanie Price with CIBC.

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Stephanie Price - *CIBC World Markets Corp - Analyst*

Good morning. Congratulations on the 34% of ACV being GenAI-enabled. I think it's up about 40 basis points sequentially. Just curious if you could dig into that a little bit more around where you're seeing the strongest uptake and how you think about AI pricing here and evolving over time.

My second question is just on GenAI CoCounsel feedback from customers. Can you talk a little bit about what clients are viewing as the biggest strengths of the next-gen product and where you see some opportunities for further enhancements?

Gary Bischoping - *Thomson Reuters Corp - Chief Financial Officer*

The 34% in the quarter was encouraging in ACV. I would just clarify there, that's up from 32% in the prior quarter and up from 24% just one year ago. I would say Westlaw Advantage continues to be part of that story.

CoCounsel Legal and the GA of that here in the US, and now the GA of that in Canada, Australia, and the UK, we are very excited about that. Our international teams have a great pipeline building there. They are excited to have that out and available to their customers.

We're getting good uptake from demos and seeing good client interaction and engagement with that. We are bullish on that being a continuous driver here as we get this out into our customers hands outside the US, which again, I would reiterate, the fastest transition we've made going from US GA to global GA in two to three months.

That's just another proof point around the innovation acceleration we've seen. That's going to continue with what we just saw in CoCounsel Tax, Audit & Accounting. That is a unique product, and that product now delivers outcomes as well as the research capabilities it previously had. We see that story continuing. I'll turn it over to Steve for the second part of your question.

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Yeah. Stephanie, with regard to CoCounsel, I'll give you a couple of anecdotes. I think there are at least two themes that are coming back from customers and users of CoCounsel Legal in its latest form. The first is appreciation of its accuracy and of its depth.

I'll give you one example. We had the Head of AI Innovation and Technology at a major firm do a bake-off between CoCounsel and a couple of the frontier models and a couple of the startup applications. What she did was she asked the same very, very in-depth question of each of the five or six applications.

She then compared the answers by running each of those answers through all of those applications and asked them to rank them. All of them ranked CoCounsel's answer as the best.

It's tests like that it takes a while for those to sort of permeate through the firms and through the industry. But it's that, the first thing I'd say is the accuracy and the depth. That shouldn't come as a surprise, given that we have more reference attorneys and attorney editors, and we have Westlaw and Practical Law, and we've got native access to those things.

We're using CoCounsel Bench to constantly and iteratively improve the product and the underlying data sets. That's the first one. I think the second one, which cannot be underestimated, is we have rebuilt CoCounsel to be the opposite of a black box.

One of the principal concerns of managing partners and firm chairs is, if indeed there are fewer lawyers coming in, which is not the case yet, but if three and a half years from now, there are fewer lawyers in intake years at firms of various sizes, how are they going to train young lawyers?

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What is going to be the apprenticeship model? If instead of sitting around a conference table or in the office of a senior partner and gaining their apprenticeship through that direct feedback and learning that a lot of the work is automated and done using these tools, how is that going to happen?

Now, if you use CoCounsel Legal, what you'll see, it is the opposite of a black box. The agent spells out in great detail the 10 or 20 or 30 steps that it's undertaking in order to answer a question.

Equally importantly, at each and every step, it describes the authoritative citation or source material that it used to reach a conclusion to that step before moving to another one, and why it went to one step versus another.

We think, and more importantly, our customers think, that this is going to be a very, very important training and learning tool for young attorneys, and that it will, in large part, overcome this concern around the next generation of the apprenticeship model within the firms.

Those are really the two things we're hearing. It's deeper and it's more accurate, and the second is it's more transparent, more auditable, more verifiable.

Operator

Vince Valentini with TD Cowen.

Vince Valentini Valentini - *TD Securities - Analyst*

Hey, thanks very much. First, hopefully I can get a clarification and a question. The clarification will be, the royalty revenue in the print segment that'll start to show up in the fourth quarter, do you include that in consolidated organic revenue?

I would assume not, given there was no royalty revenue in Q4 last year, so it's not part of your 8% guidance for Q4, would be just the clarification. The broader question would be on your sort of margin commentary for next year, Gary.

I mean, correct me if I'm wrong, but it certainly clearly sounds like you're not saying 41% is possible anymore. You're going to reinvest more into good sort of product development and driving this healthy revenue growth momentum that you have. Remember, you did 30 Prior to the print, it was 39.

Supposed to be up 100 this year, supposed to be up another 100 next year. I mean, it was supposed to be 41, and you say print is neutral once you get the KKR revenue streams flowing in. It would have been 41, but it now sounds like you are not at 41 anymore.

I just want to understand, is that because you are investing to drive faster growth and harvest from these things you have already launched? There has been a lot of launches and a lot of product innovation this year. Is the margin sort of slow down next year because you are going to see even better revenue growth from things like the Thomson LLM or the Brief Builder or just the new version of CoCounsel you have just been talking about?

Is this you saying, we are going to go into the next wave of product development and be launching just as many, if not more, new products next year, which will not actually contribute to revenue immediately, so there is a bit of a drag on margins, but you will see that revenue in 2028 and beyond? I am just trying to unpack like the margin not being quite as high as before. Is it a problem, or is it something we should actually be happy about given you are leaning in?

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Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Yeah, Vince, great questions. Let me ask Gary Bisbee to cover the first one in terms of the royalty treatment, and then Gary Bischoping to talk about the how we are looking at investing in 2027.

Gary Bisbee - *Thomson Reuters Corp - Head of Investor Relations*

Yeah. Hey, Vince. In our organic growth calculation going forward, we will pro forma in royalty in both periods. As you know, the royalty declines modestly over time as print revenue declines. It is a drag relative to if you didn't include that. I'd argue it's the more conservative way to calculate that organic revenue growth. I can take any follow-ups on that offline if that doesn't make sense. Gary?

Gary Bischoping - *Thomson Reuters Corp - Chief Financial Officer*

Look, the short answer here is we have still great productivity that's coming through this business model, both at operating leverage as well as the continuous improvement we see in productivity.

Since this is a choice based on the organic options that we see in front of us in those investments, just like we demonstrated with Westlaw Advantage and CoCounsel Legal, make an investment, and we see a subsequent increase in growth from that investment.

That's what we're working our way through for 2027. We're working our way through, given the productivity we're seeing, given the operating leverage we see, but more importantly, the investments we have on the horizon to accelerate those investments.

To your question, it's an acceleration of the investments into new products and solutions to continue to accelerate the innovation engine, delivering more value to the customer.

What we're working our way through then is, therefore, the timing of that revenue is probably, like you said, maybe not in the period of the investment, but we have strong conviction that we'll deliver incremental increases in the growth rate over the medium to longer term.

We could deliver, if we chose to, 41 next year, to your question, on a pre-print basis, apples to apples basis. We could choose to do that. We're choosing to make investments in those ongoing incremental AI accelerators and increase that to drive an increase in the revenue growth over time. Steve, what would you add?

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

No, I think that's the point. I mean, the fundamental business is robust, and as growth increases, that operating leverage increases, Vince.

The question that we're going through now as a team is, okay, of that operating leverage, are there additional growth options that we see, whether that is in and around our Dominio franchise, expansion internationally, expanding out the Brief Builder within CoCounsel Legal, further developing Ready to Review and Ready to Advise, the launch of more countries within Pagero.

We have that, I suppose, the great luxury, we don't take it for granted, that we have a lot of growth opportunities. We're rigorous and disciplined about assessing those and stack ranking them. Then, where we invest, we want to see a return, and we want to see that, if not in period, to Gary's point, soon after.

So, please rely on us to be very, very rigorous about going through that. To the extent that any of that sort of expanded leverage is being reinvested, it will be for good reason.

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Gary Bischoping - *Thomson Reuters Corp - Chief Financial Officer*

The only thing I would add, Vince, is there are some things that happen in the short run, too, around sales hires that have a more near-term return perspective and some other things that take a little bit longer given the development cycle. So, we will balance both the timing and the quantum investments as we think about 2027, but more to come in the Q4 call, Vince.

Operator

Maher Yaghi with Scotiabank.

Maher Yaghi - *Scotiabank GBM - Analyst*

Great. Thank you for taking my question. I just wanted to go back on the sustainability of the legal revenue growth. In the past, you've highlighted that Westlaw Advantage was one of the primary growth drivers for your growth in that business.

And that you still have a good runway to grow that part of the portfolio. I wanted to ask you, as we head into 2027, do you still have enough runway for growth in Westlaw Advantage to continue to support the growth rate, the organic growth rate in your legal business, or do we need CoCounsel to take the baton here and grow in order to continue that performance that you had in legal?

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Yeah. Thanks, Maya. Look, I think the answer is yes, we do. We continue to be very excited about what Mike Dahn and the Westlaw team, under Emily Colbert's leadership, and with a very, very talented set of labs and engineering executives are doing.

And I think the latest example of that is Brief Builder, where, as I said, we put five motions in the market initially. We'll expand to 24 tomorrow. As you probably know, there's 350 in total.

And so whether we get all the way to 350, but it sort of speaks to the runway in and around the legal research and litigation space specifically for Westlaw Advantage, and CoCounsel. That's the first part. I think the second one is we've talked for many quarters about CoCounsel sitting in white-space opportunity.

As we look at both of those and we look back, our growth rate in legal has gone from 7% to 8% to 9%, ex-government, sort of 10% and 11%, and hovering in that space. We think we can maintain and enhance that over the time period.

The most important thing for us is to continue to innovate and delight our customers. As long as we continue to do that, we'll be in, I think, good shape, both in the research space, but also in the broader legal AI assistant space.

Maher Yaghi - *Scotiabank GBM - Analyst*

Okay. Thank you for that. And just to follow up on the question on the margins, I know this is not a 2027 guidance call. I just wanted to get maybe just one clarification in. Are we talking about holding margins steady, or there could be even more investments than the 100 basis points that Gary was talking about earlier?

Gary Bischoping - *Thomson Reuters Corp - Chief Financial Officer*

Yeah. Let me just reiterate again. The business model produces that operating leverage. It produces ongoing productivity, and we will make decisions around investment levels and share more of that when we talk to you in the fourth quarter.

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But the margin profile is important to us and will expand over time, and that level of productivity and what we see in the operating leverage will expand over time. At any given point in time, we face the choice of how much to invest, and we are not going to talk today into the details of what that means for 2027, but we will update everybody with clarity when we do that in our Q4 call.

Operator

Toni Kaplan with Morgan Stanley.

Toni Kaplan - *Morgan Stanley - Analyst*

Thanks very much for fitting me in. I wanted to ask a little bit of a broader question. Steve, looking out, say, the next five years, what do you see as the biggest changes in terms of product innovation, distribution, the way that customers are using your products? I just wanted to understand how you are thinking about how this all evolves in the medium term. Thanks.

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Thanks, Toni. I think there's a couple of forces at work. The first is something I've talked about for a while, which just continues to, in my view, strengthen, which is the increasing complexity associated with compliance, whether that's legal compliance, whether that's a tax, accounting, audit, risk-related.

The idea that corporations and their advisors just can't add headcount to meet the needs of that increasing complexity and ensure that they remain compliant. They need software and automation tools to do so. That's the space in which we operate.

That's where our Big 3 sit, and we're maniacally focused on meeting and exceeding that demand, firstly. Secondly, AI expands our TAMs. Put simply, it expands the role in which we can play in the success of our customers.

Instead of being the sort of primary, the Westlaw being the best and most efficient way to get a list of relevant precedent cases, Westlaw will now draft the brief. Westlaw will increasingly perform the advanced analytics required to win a case.

The same goes with transactions activity. The same goes with in-house activity. So this expands our TAM, and we don't think anyone else brings the same assets and advantages to that white-space and to that expanding TAM that we do.

I would humbly suggest that our step-ups in growth over the last few years suggest that we're on the right track, and we've got to keep going. So I think that's sort of the two dynamics. The first is this ongoing trend to greater complexity and the need for software to meet that complexity and ensure compliance.

I think the second is AI as a means to expand TAM. The third I think we're seeing is the development of headless solutions. In other words, and this is where the Thomson model is interesting.

The idea of sort of putting the model and harness and a set of applications that firms can then build on instead of a fully integrated software stack, I think we're just at the start of that, Toni. It's hard for me to sit here and tell you exactly how that's going to play out.

What I will tell you is that the Thomson model, starting in legal, to be extended into tax accounting and audit, gives us, I think, a really interesting play in that space as it develops amongst the world's most sophisticated professional services firms.

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Operator

Jason Haas with Wells Fargo next.

Jason Haas - *Wells Fargo Securities LLC - Analyst*

Hey, good morning, and thanks for taking my question. I am curious if you do decide to bring up the investment levels in 2027, what are the products or areas of the business that you are most interested in investing in? Thanks.

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Yeah, Jason, thanks. We have mentioned a few of them. I think, ongoing investment in CoCounsel Legal and ensuring that we have got the right forward deployed teams and the right sales resources to support that. That is one.

I think CoCounsel Tax and Audit, and the development and introduction of Ready to Review and Ready to Advise in the tax accounting space. Next is transactional compliance, so that is e-invoicing, Global Trade, and Indirect Tax.

We have got, I think, some very exciting plans in terms of adding agentic capabilities and leveraging CoCounsel into those franchises, in addition to further expanding our market coverage to ensure that we are ready to meet the demands of customers as 50 countries or more roll through e-invoicing mandates.

What Mark Ondras and Adrian and the team are doing, Fernando and others down in Brazil with Dominio and our embedded finance propositions there, I think is starting to look interesting to us. So, assuming that stays on track, we will keep investing.

So, I know it is a long list, but I think it speaks to the point I made in response to Toni's question, which is we are uniquely positioned to meet a growing and long-lived market demand around compliance and the complexity of compliance. AI is a means for us to expand our role in meeting or exceeding our customers' needs around that.

Gary Bischoping - *Thomson Reuters Corp - Chief Financial Officer*

Steve, the only one I would add to that is the general counsel's office. We've been very focused on CoCounsel for Legal Professionals.

There's a great opportunity in the general counsel's office with our relationships that we have with our large corporate customers to bring the differentiated elements of CoCounsel Legal to the office of the general counsel. We're excited about that opportunity here as we head into 2027 as well.

Jason Haas - *Wells Fargo Securities LLC - Analyst*

Got it. That's very helpful. Thank you. Just as a follow-up, I'm curious if you expect to see any impact from the closure of Weil Gotshal on your business? Thanks.

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Not a material impact, no.

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Jason Haas - *Wells Fargo Securities LLC - Analyst*

Okay.

Operator

Curtis Nagle with Bank of America.

Curtis Nagle - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Great. Just two quick ones from me. Steve, I think you noted, I think 60% of the CoCo base is now on the next-gen model, which is great to hear. I guess any sizing in terms of how much contribution you're seeing from new users versus upgrading the existing base?

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

We haven't published that, Curtis. We'll go back and review that. Suffice to say, though, we're very focused on gaining more than our fair share of the market over the next 12 months. We'll come back to you as we achieve that.

Curtis Nagle - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Okay, fair enough. Then maybe just another one just on Legal for Q. I think you noted 20 basis points margin difference in the growth rates from 2Q to 3Q. Do you think you could accelerate that in 4Q?

Just, again, Westlaw still doing great, you've got CoCo coming in, comps are easier, right? I think you've sort of previously alluded to maybe seeing better growth in 4Q. Just, yeah, help us sort of size that and sort of what's the opportunity near term in Legal?

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Yeah, I mean, Q4 is an important quarter for us across the Big 3. We're always, at this time of year, cautiously optimistic, but we've got to deliver it. We certainly see great traction from our various product franchises, and it's early days for Thomson. I think I'm going to remain optimistic that there's upside there. The question is sort of what's the timing of that, and when do we deliver it?

Operator

Surinder Thind with Jefferies.

Surinder Thind - *Jefferies LLC - Analyst*

Thank you. Hi, Steve. As I think about the need for your commentary around more technology at law firms, corporations. Especially as I think we think about more agentic capabilities that get deployed, so whether you're taking on a lot more responsibility, maybe displacing individuals, how should we think about the potential change or impact to your pricing power?

Meaning that I think as you maybe provide more value, as you do more of the work inside the organizations, should you be able to take a bigger part of the economics, if that makes sense?

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When I think about the promise of cloud and the reliance on technology and everybody was offered all of these amazing savings, but ultimately, a large portion of the economics accrued to the hyperscalers. How does that really embedding yourself in these organizations maybe change the equation or the partnership profile?

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Yeah. No, it's a great question. So, we, as a philosophy, do our best to price to value. If you look across the portfolio, there are examples where we do that very well, and I would argue there's some examples where we don't do it as well.

But certainly, we are optimistic about exactly the sort of arc that you describe in terms of embedding the tools within the firms and the general counsel's office, within the judiciary and the court systems, and so forth.

Then ensuring that we're then able to support our customers in the underlying change management to ensure they get the requisite ROI, and that's an attractive proposition first and foremost for them, and then in doing so, price to value. So, that's the journey we're on. I think, as I said in answer to an earlier question, it's still early days, right?

I think we're in the first, second, or third chapter here of a 5 to 10 year journey. So, I think it's too early to sort of describe a price-to-value journey around CoCounsel Legal as an example, but we are very focused on getting there, for sure. Gary, what would you add?

Gary Bischoping - *Thomson Reuters Corp - Chief Financial Officer*

We have already seen demonstrated value and customers willing to pay for that value with achieving the price increases we've seen in the last two years relative to Westlaw Advantage and CoCounsel, and we expect that price-to-value equation to continue as we continue to accelerate the innovation engine.

The last clarifying point is we don't have any seat-based kind of approach to pricing. It's enterprise license agreements for the most part, and that really adds value and enables our customers to have certainty over cost over time, which they also value. So, we like the pricing proposition and the ongoing benefits from that model.

Surinder Thind - *Jefferies LLC - Analyst*

That's helpful. Then as a follow-up on the commentary around kind of the all-you-can-eat, how does that impact kind of the token costs and contractually where the clients land?

Are those costs treated separately or accounted for separately, or how should we think about that as growing agentic use? Does that also boost the top line here as well, that they show up in the revenue line item?

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Yeah. So, we have enterprise-wide pricing, so we're not priced on a per-seat basis or a per-token. This is within legal or a per-token usage. So far, that's enabled us to maintain attractive margin profile for CoCounsel Legal, and we'll continue on that path.

We want to keep it as simple as we possibly can. I think the reference I made before was to, in moving tabular analysis across, so a high token usage application across Thomson, where we've got a speed, an accuracy, and a cost advantage.

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That means we can stick with, in many cases, all-you-can-eat pricing, which is a very attractive proposition relative to some of the competitors. As to whether there's upside for power and super users, we have not yet explored that, but certainly, aligned with your earlier question around price to value, that's certainly something we're exploring.

Surinder Thind - *Jefferies LLC - Analyst*

Thank you.

Gary Bisbee - *Thomson Reuters Corp - Head of Investor Relations*

All right. I think that gets us to the end of the queue. Thanks, everybody. We're around if you have any follow-ups. We'll end it there, Ruth. Thanks.

Operator

Thank you. This concludes the questions and answers. I would like to turn the call back over to Gary for any closing remarks.

Gary Bisbee - *Thomson Reuters Corp - Head of Investor Relations*

That's it. Have a nice day.

Steve Hasker - *Thomson Reuters Corp - President and Chief Executive Officer*

Thanks, Ruth. Bye-bye.

Operator

Thank you. This concludes today's call. Thank you for your participation. You may now disconnect.

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