

FLASHES & FLAMES

How the RELX transformation works

By Colin Morrison

Thirty years ago, Reed International, of the UK, was deep in due diligence for its merger with the Dutch publisher Elsevier. The deal would form a £12bn company, one of the largest publishers in the world, with interests in newspapers, magazines, B2B information, scientific and book publishing. It was not, of course, the first transformation in the 140-year history of Reed or Elsevier.

The hype soon subsided to be followed by years of cultural clash, underlined by the scuttlebutt: The Reed CEO loudly argued for a much better chauffeur-driven car while his Elsevier counterpart pointedly insisted on travelling to the London headquarters by subway train. Just a decade earlier, the Reed CEO had described the strategy for the sprawling conglomerate as "the 5 Ps" - print, paper, paint, publishing and packaging.

Breakup calls

By 1992, the company - which had its roots in paper mills - was at least focused on "publishing". But the absence of an effective growth strategy would lead to 2012 shareholder demands for a breakup, 20 years after the formation of Reed Elsevier. The shareholder pressure had followed the company's ignominious exit from the education market where its £3bn investment had not produced anything like the expected growth. Along the way, it had also managed similar short-term profligacy on investments in consumer book publishing and travel information services. It was a large company of many fine assets - but in search of a coherent strategy.

In 1995, Forbes magazine grimly predicted that the publisher best known for its academic journals and B2B magazines would become the first corporate casualty of the internet. But the transformation, which made nonsense of the prediction, was already underway. In 1994, it had acquired the LexisNexis legal database for \$1.5bn and - within a few years - had divested most of its B2B magazines in the UK and US.

By the time the world banking crisis combined with the surging internet to create a perfect storm for traditional media, print had already become less than 50% of Reed Elsevier revenue - on the way down to just 6% in 2022. In the last 10 years, the market cap of the company now known as RELX has tripled to £42bn.

This week, RELX formally confirmed its strong performance throughout a pandemic which has played havoc with media and much else. Despite a two year interruption in its hundreds of worldwide exhibitions which, in 2019, had generated £1.3bn of revenue and £331m of operating profit, RELX recorded 9% like-for-like revenue growth in the first nine months

of its financial year and an assertion that "the momentum remains strong", with 2022 expected to produce operating profit at least 18% ahead of last year:

| £bn | 2022** | 2021 | 2020 | 2019 |
|-----------|--------|-------|-------|-------|
| Revenue | 8.1 | 7.2 | 7.1 | 7.9 |
| Op profit | 2.6 | 2.2 | 2.1 | 2.5 |
| Margin | 32% | 31% | 30% | 32% |
| Net debt | (5.3) | (5.8) | (6.6) | (5.9) |

** Flashes & Flames estimate

RELX now comprises:

- STM: Elsevier
- Risk: LexisNexis Risk Solutions
- Law: LexisNexis Legal
- Exhibitions: RX

The keys to the transformation of RELX have been in understanding how the information industry has sharply diverged from "media". Time was when business and professional media - like its B2C counterparts - was focused on providing information in the most appetising and timely manner for readers. The transformation of RELX - and indeed the whole information industry - has broadly taken place in three stages:

Stage One: was the transfer of essentially "flat" content from print to digital, exploiting the speed and capacity of the web but actually just producing print-like text on digital screens. It was, therefore, not such a big shift in how information providers worked, even though it involved a fundamental change of business model - especially (in many cases) to shift revenue dependence from advertisers to readership. *It was faster.*

Stage Two: was the exploitation of the almost limitless capacity of the web to build, store and disseminate information on a scale not previously possible in print. So, it was a big change in what those same professional audiences could readily access from the desktop. *It was deeper.*

Stage Three: though, was the really big change in information services: the use of AI and decision tools to provide data analytics which help organisations deepen their understanding of customers and markets. This "embedded workflow information" has been made possible by the exponential growth of data processing power. *It was truly interactive.*

RELX may now be a 50% analytics company as a result of its decade-long journey to compete with global companies like Verisk, S&P Global, and Fitch that have never been publishers.

The best illustration of its successful transformation is the LexisNexis Risk Solutions division which helps detect and prevent online fraud and money laundering for insurance companies and banks. Its customers include seven of the world's top ten banks and 98 of the top 100 insurance companies. In the US, more than 7,500 federal, state and local

government agencies use RELX which helps the insurance industry assess the risk of a person who's shopping for cover and to price it appropriately.

More than 216,000 websites and mobile applications implement the LexisNexis Digital Identity Network around the world. It has some 10,000 employees, serves customers in more than 180 countries and generates almost 45% of the RELX profit. Its fast-growing business is built around four types of data: an unrivalled store of US public records data in the US; contributory databases operated on behalf of customers in insurance, banking, government, aviation and real estate; a huge amount of data licenced from third parties; and truly proprietary databases built over time, including in the US where it has more than 10,000 sources pouring into its data rooms every day.

Analytics capability is key to providing customers with scoring models and diagnostic tools to enable them to make decisions. But so too is technology, especially its big data High Performance Computing Cluster (HPCC) platform, bringing incredible scale and speed.

This fastest growing and most valuable of the RELX divisions - believe it or not - grew out of the company's former Reed Business Information portfolio of B2B magazines and directories. Its long-established Bankers Almanac directory - along with the LexisNexis acquisition itself - provided the seed corn that created the mighty Risk division. And smaller information and consulting operations in aviation (Cirium), petrochemicals (ICIS), and agriculture (Proagrica) serve as a reminder of a company which once published B2B magazines in these and hundreds of other market verticals.

Digital identity

Key to the way that these resources contribute to the transformation of other, traditional RELX businesses (e.g. academic and legal publishing, and exhibitions) is the company's 17-year-old ThreatMatrix, a digital identity platform that helps confirm whether individuals logging into a service are who they say they are, and if not, to identify when the behaviour is looking abnormal and risky.

These resources have also helped to create the PatentSight analytics platform for the RELX legal information division, known confusingly as LexisNexis Legal. It helps clients to evaluate intellectual property and patents worldwide. It is also developing the relatively new field of legal analytics which (sort of) began with its 2015 acquisition of the California-based Lex Machina, a platform that helps lawyers predict the behaviour and outcomes of different legal strategies by mining, tagging, categorizing and enhancing millions of Federal court dockets and documents. The technology allows lawyers (especially in the US) to make strategic, data-driven decisions and develop winning litigation strategies using competitive intelligence on opposing parties and counsel, track records and key decisions by presiding judges.

This ability to process huge amounts of data at speed also helped RELX's market-leading Elsevier academic publisher - which launched its online library ScienceDirect back in 1997 - to play a crucial role in the collation and evaluation of global virus data during the pandemic.

Perhaps the most unexpected beneficiary of the RELX analytics skills is its RX exhibitions division, whose CEO Hugh Jones says: "I use HPCC to create significant learnings about how an exhibitor has behaved over the past 20 years at all of our shows. That allows me to go into a meeting with that exhibitor and show them how the path forward might look in order to have an increased return on investment. It gives me an ability that other exhibitions companies simply don't have."

The RELX strategy sounds simple enough: "We gather content and data sets which can be structured and unstructured. A vast amount of data from our own as well as other data sources in varying formats are ingested, refined and further enriched. With machine learning and proprietary technology, we then link the information and learn across data sets, creating knowledge graphs which enable advanced analytics. We then apply predictive modelling, visualisations and AI technology to provide actionable decision tools for our customers."

RELX employs 10,000 "technologists", half of whom are software engineers and describes its \$1.6bn tech spend as "the golden thread" woven through the group. Erik Engstrom the former Elsevier CEO, who has been at the helm of RELX itself for the past 13 years, has led a concerted push to make the former publisher into a data analytics business. But, while the four divisions are benefitting from the skills and resources especially of the Risk division, up to 40% of the RELX business is still "publishing" of STM and legal content, and exhibitions.

It might, therefore, be only a matter of time before the ultra-hot business of LexisNexis Risk Solutions becomes as valuable as the whole of its slower-growth parent company. It makes the point that the change never stops. Special skills today become commoditised services tomorrow and new machines and applications keep coming.

But some things never change.

For all the transfer of tech skills and resources, RELX is still four reasonably separate businesses, each with different competitors: academic publishing, legal information, exhibitions - and Risk. But the company that once was the ultimate media conglomerate is a real-time case study in how information brands can spawn high-value analytics business. Arguably, that can have almost equal relevance to single-market information verticals as to diversified global operators like RELX. Think about it.

It's all a long way from the "five Ps" with which former Reed International CEO Les Carpenter proudly described his strategy in the 1980s.

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