Company: **RELX Group**

Conference Title: **Nine Month Trading Update Call**

Moderator: **Nick Luff**

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Operator: Good day and welcome to the RELX Group nine-month trading update call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Mr. Nick Luff, CFO. Please go ahead sir.

Nick Luff: Thank you Sylvia. Good morning everybody. I'm Nick Luff, CFO of RELX Group and with me this morning is Colin Tennant, our head of investor relations. I will make a brief introduction and then I'll hand over the call to questions. As you've seen from the statement this morning, the underlying operating trends across our business in the first nine months, similar to what we reported the half-year in July. Underlying revenue growth was 4% overall, and we have positive underlying revenue growth across all major business areas. So, the outlook is unchanged, and we remain on track for another year of underlying revenue, profit and earnings growth in 2016. We continue to transform our business, primarily through organic development supported by selected portfolio actions. A number of the acquisitions we had in the pipeline at the half-year completed in the third quarter. This has taken total acquisition spend for the year to around £330 million spread across 15 small content, data and exhibition assets. We've also completed approximately £670 million of our previously announced £700 million share buyback, with the remainder to be deployed by the end of the year. Turning to the business areas - Scientific, Technical and Medical - underlying revenue growth is 2%, with strong growth in usage and article submission. Risk & Business Analytics grew 9% underlying with strong growth across all key segments, driven by volume growth, new product rollouts and expanding into adjacent verticals, with particularly strong transactional revenue growth in the third quarter. Legal grew 2% underlying. Our customer markets in the US and Europe remain stable with electronic revenue growth partially offset by print declines. Rollouts of new platform releases continued, and adoption and usage rates progressed well. Exhibitions grew 5%, excluding cycling and timing effect, slightly below the half-year as expected given the mix of share we have. Underlying growth trends are in line with the prior year and for the full year, we expect to cycling-in effects to increase reported revenue growth by around three percentage points. Sylvia, with that introduction, I will now hand the call over to questions.

Operator: Thank you sir. Ladies and gentlemen, if you would like to ask a question at this time, press the Star, followed by the digit 1 on your telephone keypad. And please also ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. Once again ladies and gentlemen, it is Star 1 to ask a question. We will now take our first question from Katherine Tide from Goldman Sachs.

Katherine Tide: Please go ahead ma'am, your line is open. Morning, just a quick question on the risk business, if I may.

Nick Luff: Yes.

Katherine Tide: Clearly a strong growth print this quarter - you mentioned some new products as part of this as well as it being, you know, across all of your, sort of, key segments. Wonder if you could talk a little bit about how the, sort of, take up of your new products is affecting your thoughts into future investment and how we can, sort of, think about this, sort of - the levels investment in this business going forward, and, you know, that portion of the margins, etc. Thank you.

Nick Luff: Yeah, Katherine, thanks for that. It's - obviously risk is going well - growth up a little bit in this quarter following, you know, those good transaction volumes - and that is coming, as you say from deployment of new products, from expansion into new adjacencies, new verticals. And, there is no particular one-offs in it, it's across the board. And, our strategic objective is absolutely to keep that growth rate, you know, around these sort of levels for as long as we can. And that does mean continuing to invest in the business, continuing to explore new opportunities and work with product development. You know, fortunately, of course, the business continues to get bigger and generate more cash flow and that gives us the resources to do that. It's not a particularly intensive business, and we do capitalize some of the spend, but, you know, we've been able to -

as you've seen, we've been able to do it whilst continuing to manage costs to be broadly in line with the revenue growth. And that will be our approach going forward. So I think that we would expect to be able to continue this sort of - this sort of margin performance.

Katherine Tide: …Kathy. Thank you. Are there any - I know you said that it's very broad based, but I mean looking forward are there any particular adjacencies where you are particularly excited about the opportunities going forward.

Nick Luff: Well I think, you know, we've obviously got the insurance business at the core of risk, with - which is our biggest segment and within that the auto insurance. But, you know, the adjacencies, we've - you know, we are very firmly established in the other insurance segments - such as property, life - and the risk business - the risk relations business, of course, is a very US oriented business. And that is now expanding internationally. And we've got ourselves established in the UK, in Brazil, in India, in China, and outside of those insurance markets, we're now doing well in working the government and healthcare sectors. So, it is across the board. And we continue to look where is it we can use what we've got and, you know, make use of the data set, the analytics in related fields, where we're not jumping too far but are able to, you know, perhaps buy in at - through acquisition or hiring by individual expertise within the sector but then expand into it using largely what we've got already.

Katherine Tide: Okay, thank you very much.

Nick Luff: Thanks Katherine.

Operator: We will now take our next question from Nick Hassab, Exxon. Please go ahead, your line is open.

Nick Luff: Morning [inaudible].

Nick Hassab: Good morning Nick.

Nick Luff: Good morning.

Nick Hassab: Good morning Colin. Two questions, if I may. The first one is on the Risk division, we saw 9% for the first nine months compared to the 8% reported for the first half. I'm still unclear in my mind whether the accelerations are - reflect the structural story coming through, or a particularly strong transactional revenue performance in the quarter. Can you, therefore, help me understand what transaction revenue you are referring to? Why were there so strong? Is the 9% sustainable for the rest of the year, please? And secondly, I have in mind that the Q3 is a particularly strong quarter in terms of print for the Legal division with the text book business. Is that correct or could you quantify how busy is print in Q3, or whether print is beginning to freeze and in each one please?

Nick Luff: Yeah, okay. I'll be taking the first one of those - the risk 9% versus 8% of the half-year. And I think we - yeah, we do mention in the statement that Q3 transaction volumes were particularly strong. Risk is a - the risk and business analytics overall - is a, you know, about those two-thirds transaction revenue business. So you do see variations in quarter-to-quarter, and there's nothing particular unusual or there's a one-off factors that we can identify that caused it to spike. But, yeah, you do see - you do see trends like that or that you see some variation. And obviously every time you have a strong quarter, then we get to lap that quarter a year later, it's a bit tougher the comparative. But, I wouldn't point to anything unusual in that quarter. It's a combination of, you know, what we're doing with the business, underlying market growth and, you know, us continue to develop and deploy new products. So, nothing - nothing particularly to point out.

Nick Hassab: And your performance and conjunction revenues was across the year various segment, or was it one segment in particular - say local government - that drove the performance in conjunction with...

Nick Luff: Right. It was across the board. And, again, I wouldn't pick out any one segment. You know, those transactional revenues are, you know, they're quite high in all the different segments and, you know, all of them did well.

Nick Hassab: And Legal?

Nick Luff: Legal's - print - I mean print for Legal is about 20% of the total business, as you know. It's not particularly seasonal. Unlike the education segments in SDM, which obviously do fluctuate with the academic year, these are - what print in Legal is not foreign to the education market in quite the same way. So, it tends to be more consistently spread through the year and driven around when titles are published. So there's no particular seasonality in it and so, I would read anything too much into that.

Nick Hassab: Excellent, okay. Thank you. Thank you Nick.

Operator: We will now take our next question. It comes from Mr. Nick Dempsey from Barclays. Please go ahead sir. Your line is now open.

Nick Dempsey: Yeah, good morning guys. I've got two questions, both about FX. So, first of all, for 2017 I wonder if you can tell us where consensus is set for pound/dollar. And, then maybe help us out with the, sort of, rough rule of thumb of how much the PLC EPS is of monetary[?] star[?] and how much that should move in 2017, if we to slap in 122 into consensus. That's the first question. And then the second one, you know, I remember that after the last big weakening of the pounds as with other currencies in '08 and '09, your three year rolling hedge program in STM really helped your STM margins in 2010 to '13. So, thinking simplistically, we've had a pretty similar weakening in the pound in the last, sort of, six to nine months as we saw in that period, so should we be pencilling into our model some reasonable hefty margin improvement in STM in 2017, '18, '19 or how should I think about that?

Nick Luff: Okay, I have two good questions. I'm a little reluctant to start giving FX - getting to FX for 2017, but let me talk sort of broadly. You know, certainly this year - 2016 - if you - as you saw in the first half, we had a - sterlings about 6% weaker against the Euro and dollar. And we saw a 5% impact on the - in the sterling reported numbers compared to constant currency if you recall, so if you got that was a, sort of, the flow through, of, sort of, five out of six. If you look in the full year, '16 now, if you click current spot rates then assume they'd stay there for the rest of the year, then sterling will be about 12% weaker against the Euro and the dollar for the full year. So, if you just did a simple extrapolation from the first half, you'd expect sterling EPS to be nine, ten percent higher in terms of growth in constant currency EPS growth and Euro a little below constant currency EPS growth. And, now obviously, it's a bit more complicated than that and there's also some things going. But, the rule of thumb - that's not bad. In looking into next years, I mean, it clearly all depends on what your assumptions are around currency. But, again, current spot rates would - if it stayed exactly as it was today, would imply another eight to ten percent weakening of sterling on average across the year. And so you can probably use that rule of thumb I just gave you at least as a starting point and get you in the right territory. You will then get the complicating factors of how the hedging program plays into things and so on, but it's - that's not a bad starting point. I think on your section question on STM margins, some of this - you know, I think you're right in a sense that overall - in time - if sterling goes weaker and stays permanently weaker, then there is an underlying tail wind in the margin progression for STM. You know, having said that, we do have the hedging program, which does slow down FX impacts - smooths them. And, you know, you've got quite a lot of things going on. The yen - not insignificant when you look that - look at that, and that things play out, you know. The one thing you can be sure of FX rates was that they are. So, I'm not sure I'd be building much into margin progression because of FX. I think it's probably getting sporadically[?] accurate to start doing that.

Nick Dempsey: But, logically, if we're moving our FX where you're not getting the benefits in the margins this year, so you should get it at some point, right. Otherwise, we're not really reflecting the full picture of you and your business. Isn't that so?

Nick Luff: There will, as I say, there will be some benefit from all other things staying equal. But, you know - and that's all currencies staying equal to where they are against all other currencies - so I just wouldn't get - I wouldn't put too much weight on it.

Nick Dempsey: Okay, thank you.

Nick Luff: All right, thank you Nick.

Operator: Our next question comes from Ruchei Melia from Bank of America. Please go ahead. The line is open.

Ruchei Melia: Hi, good morning it's Ruchei.

Nick Luff: Good morning.

Ruchei Melia: Can - on the Risk division, another question - can you confirm that you're still not pushing through price increase in that division. So, I know you talked about product growth, but just want to confirm it's not pricing in the mix there. And then in terms of the pipeline that you see in your product opportunities, how confident are you that you can then sustain these types of high single digit growth rates and risk over the coming years? And then in Legal, you're also supporting the growth there through product growth, so again, the question on the product pipeline and whether or not you believe that you can sustain these types of growth rates in into next year, even if the underlying market isn't growing. Thank you.

Nick Luff: Yeah, as you know - particularly in the insurance segment, which is the largest part of the Risk & Business Analytics - pricing has not been a factor in our growth historically. You know, the approach we've typically taken is to introduce new products, price that product appropriately for the value it's creating for the customer and then look to roll that out through the customer base. Then look to introduce new and improved products that may be more valuable, and therefore, something that we can charge a little more for rather than increasing the prices of existing products. And that philosophy actually remains the same. And that's - so, I mean, there's nothing different in these numbers this year physically pricing than there has been in previous years. It is mainly about volumes - what you're seeing in the Risk and Business Analytics growth. I think to your question of the products and the opportunities that we see, I think clearly - I'm not going to give you a forecast - this is the way the growth looks going to go - but, basically, our objective to maintain growth rates where they've been in the last few years for risk and to do that for a long time. And we see significant opportunities in our existing markets. We see opportunities in adjacent vertical markets. We see opportunities in geographic expansion, and we continue to roll out new products identified value we can to the customers and invest in the business appropriately. So, that's absolutely our objective and what we're trying to do, and we'll see where the actual growth has come out as they won't be exactly the same. But, I think we'll - strategically we know what we're trying to do. The same applies in Legal. There's clearly - Legal is less far down the track of introducing analytics and decision support tools than we are in Risk, but we see significant scope for bringing those, sort of, products and - into the Legal market.

That's what we're looking to do and as we roll those out, you - we believe that can improve the growth rates, regardless of what the underlying market does.

Ruchei Melia: Great, thank you.

Nick Luff: Okay.

Operator: We will take our next question. Mr. Steve Lichte from InvestTech. Please go ahead. Your line is now open.

Steve Lichte: Morning guys. Steve from NEC[?]. Just, first of all, on the Risk & Business Analytics, was there much difference in like-to-like growth between RDI and the core risk business. Or, has there been any change in the dynamics between that? And that's the first question. The second question, on the STM side, you say print book declines continued. Some of your peers seem to be saying that print declines are getting worse. So, question is, have print book declines got worse, or are they declining at a similar rate? Thanks.

Nick Luff: Okay. On the Risk & Business Analytics, we don't really distinguish between old RDI and old risk solutions any more. If you did break the businesses down, you wouldn't see much difference in the growth rates. What is - we have - of course, have transformed the old RDI business and are out of many of the things that, you know, were growing less strongly - like the print magazines. And, you know, what's there now are data and analytics businesses that look very similar and have similar financial dynamics to the risk solutions businesses, so no particular difference in growth rates between the two, sort of, sub-segments, if you look at it that way. And on print books and STM, I think if you go back through the last few years, we've seen decline rates that have varied from, you know, from, sort of, high single digits into low double digits. And, we're still in that range - probably to the top end of that range. So, that's a little - declined a little faster than the average we've seen in the last few years, but not particularly different. You know, having said that, we're still in the middle of the key season for book sales, so we'll see where it comes out. For us, of course, it's - you're talking about something that's 10% of STM, so it feeds[?] into the group. So, we're - we are a particular sub-segment of print books focused on nursing education in particular, so I'm not sure we're necessarily represented of all can tell you much about the wider market for books.

Steve Lichte: That's great, thanks.

Nick Luff: Okay, thanks.

Operator: Our next question comes from Emmanuel Carlea from IMG bank. Please go ahead. The line is open.

Emmanuel Carlea: Yeah, hi. My questions have already been answered. Thanks.

Nick Luff: Okay. All right, thank you.

Operator: So, we will now take our next question and it comes from Priest Collette from Deutsche Bank. Please go ahead sir. Your line is open.

Priest Collette: Good morning. Just one question from me just related to acquisitions. You mentioned that you've made 15 acquisitions. I just wondered if you could give us an idea about for which divisions they are going into. I think you bought a couple of small things in legal - just wondering where else you have been buying? And, is there anything more in the M&A pipeline for this year, or do you think you're largely done for 2016?

Nick Luff: Well actually the spend to date this year has mainly been in Risk & Business Analytics. To just give you a flavour of that - we've done a couple of deals in - the larger ones within those 15 - a couple of deals within the insurance segment - one in the UK, one in the US. We've done a couple of deals in the aviation data services segment. There's been - there's one in Legal. It was one of the bigger deals within Legal, but the most significant area has definitely been Risk & Business Analytics. And, in terms of the pipeline, you know, we're always looking at things. You know, clearly there's only two months to go now, so, you know, we're - I know, we're obviously at - I think as we were forecasting and suggesting at the half-year, we're at our normal run rate for acquisition spend around $500 million for the year is a sort of typical level. But clearly, one deal looking for one side of the year end or the other side of the year end can certainly swing that a bit, so I wouldn't like to be too precise about, you know, exactly when things we're looking to day might - may or may not close.

Priest Collette: Great, thanks.

Nick Luff: Yeah, thanks Priest.

Operator: And again, ladies and gentlemen, as a reminder, it is Star 1 on your telephone keypad if you would like to ask a question. We will now take our next question, it comes from Tom Singlehurst from Citibank. Please go ahead sir. Your line is open.

Tom Singlehurst: Good morning, it's Tom here from CitiGroup. So, a couple of questions. One, on - or obviously very good performance in the third quarter - I just wanted to circle back on, sort of, cyclicality - it might just be a spectre - it might not be real. But, on Exhibitions, just to confirm - I mean obviously you're guiding to a level of growth in this last year, you always have so this slow down looked like it was anticipated, but is there any signs of pressure for bookings or anything to worry about in terms of broader, cyclical, sort of, slowdown. And, I suppose the similar question on an STM into the fourth quarter, because you have - I think you've said in the past that where you tend to get cyclicalities and scope or otherwise the budget flush in STM. So, a sort of broad question on cyclicality. And, then the second question is on M&A. You talk about the benefits of portfolio restructuring. But, I was just wondering about the constraints put on you by the requirement to hold the ROIC, which is obviously a key incentive metric for the management team. The reason I say that is that clearly a lot of the other companies operating in the space don't have the same constraint. And so I'm just wondering whether that means that you find yourself outbid for assets that you would otherwise like. So, yeah, a question about, sort of M&A constraints. Thank you.

Nick Luff: Well, on cyclicality, sort of, in Exhibitions, I don't think we're seeing anything different in trends in the business. As you rightly point out, the mix of shows does mean that, as we saw last year, second half growth is now quite as strong as first half growth. But, you know, that is just a mix of shows issues and, you know, if you've got your faster growing shows that happen to be in April or February or whenever in the first half, then you'll see stronger growth in those. And, if you're in - second half shows are more buyer plause[?] industries that are not growing as strongly. And, I think that's the key point. You know, exhibitions as an industry is actually not cyclical. It's the underlying industries that the exhibitions are serving that can be cyclical, but when you've got a portfolio of 500 shows spread across 30 or 40 geographies, as we've got in a whole range of sectors, you know, the portfolio effect of that and the averaging out effect of that does take out a lot of that cyclicality. So, we're not seeing anything different. The same with STM, you know - I think as we've always said there are, of course, individual countries or - that may have particular budgetary pressures, and it can vary depending on what over economic and political things are going on across the world. But, we're certainly not seeing anything different now than in recent years when you add it all up and take the averages. And on your second question on M&A, I think, you know, we certainly don't feel constrained in terms of what we buy. You know, I would repeat the fact that we see the most value creating we can do for shareholders is to grow the business organically, and that's what we're absolutely focused on. The acquisition strategy is there to enhance and accelerate that organic growth. We're constantly scanning for things that we think can plug into our existing operations and help us. And, we have been following that approach for a number of years. Clearly, its opportunity dependent and when you've got willing sellers of businesses and so on. But, it's not often we find ourselves in opposite situations we're often looking at businesses that we have - know well, have been tracking well, often have been working with and perhaps buying their content in for a period - and it just becomes a, sort of, natural momentum that we might acquire them and bring them in completely. So, you know, we're focused on doing what is the - in the best long term interest of the shareholders, and we think M&A is an important part of that, and we don't set it up to feel capital constrained. Yes, ROIC is important. We think it's important, if we're going to add running Shell[?] that we do need to make good returns on the overall investment. But, we can do that, and when you've got, as we have £10 billion plus of invested capital, the sort of £300 million per year we've been spending on acquisitions, doesn't impact the ROIC that much. And it's the - actually performance of the existing business that is key.

Tom Singlehurst: That makes… One follow-up fact, if I may. I mean, just joining those two points together. If there isn't - if there aren't any signs of cyclicality in the Exhibitions or folio, just sort of questioning why you think your own shares are of better value than consolidating the Exhibitions base. I mean, your own shares are trading at 19-20 times earnings, 14 times EBITDA - I mean, surely you could be buying smaller exhibition companies at lower multiples and seeing operational benefit from you - assume them into your portfolio. Unless there's a, sort of, big cyclical overhang, what's the reason not to do that?

Nick Luff: Well, Exhibitions - we're the world's largest exhibition company. We have scale advantage that comes from that. We're growing organically, as you know. We've been launching new shows consistently and we do buy in shows. But we want to buy things that fit with our portfolio, both geographically and segment wise - things we think we can add value to - things that can become a platform for further growth. And, we'll buy as many of those things as we can find and handle, if you like. And, I mean, not just in Exhibitions, but in M&A generally, we think we're buying everything that we can that is some - adding value to our overall business. We very much look at returns to shareholders as what's there and available after we've invested in the organic growth, invested in the M&A - the bulk on acquisitions - and then we get to returning capital to shareholders. So, we don't - don't really see it as an either/or question. We're supporting the business and looking to drive the growth of the business first. But the fact is, this is a cash generative business, and we do tend to have surplus capital. And we are returning that to shareholders through the buyback.

Tom Singlehurst: Very clear, thank you very much.

Nick Luff: Okay, thank you Tom.

Operator: As a final reminder ladies and gentlemen, it is Star 1 on your telephone keypad if you would like to ask a question. Thank you. Mr. Luff, we have no further questions in the queue.

Nick Luff: Okay, well if that's all the questions. Thank you Sylvia. Thank you everyone for joining us this morning. We'll speak to you again soon.

Operator: Ladies and gentlemen, that now concludes our conference call. Thank you very much for your participation today. You may now disconnect.