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EDITED TRANSCRIPT

REL.L - Half Year 2017 Relx PLC Earnings Presentation

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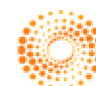

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PRESENTATION

Anthony John Habgood - *RELX NV - Non-Executive Chairman*

So good morning, everyone, and welcome to RELX's interim results presentation for 2017.

(technical difficulty)

As a whole with each of our 4 business areas, again, contributing positively to sales and profit growth.

Adjusted earnings per share in constant currency was, again, 8%. Adjusted earnings per share in euros was also 8%. Sterling adjusted earnings per share was up 19% reflecting the first half weakness of the pound relative to the first half of 2016. We've announced dividend increase of 8% in euros and 14% in Sterling, reflecting the spot exchange rates.

I'm also pleased to report that today, we announced appointment of Suzanne Wood to our Board subject to shareholder approval at The Netherlands EGM in late September. Suzanne has been Group Finance Director of Ashtead group PLC a mid- FTSE 100 international equipment rental company for 5 years. Prior to which, she was CFO of Ashtead's largest subsidiary, Sunbelt Rentals in the U.S. A U.S. citizen who started her career with PriceWaterhouse, Suzanne brings over 20 years experience in Senior Finance roles, including as a CFO of 2 publicly-listed U.S. companies prior to taking up her current roles at Ashtead. She'll bring valuable and highly-relevant experience to our boards as we continue to evolve and refresh them, and I look forward to working with her.

Thank you. Erik and Nick will now take you through the results in detail.

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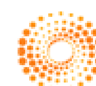

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Erik Engstrom - *RELX NV - CEO and Executive Director*

Thank you, Anthony. Good morning, everybody. Thank (technical difficulty) and for taking the time to be here today.

As you've probably seen from our press release this morning, our positive financial performance continued in the first half of 2017 with underlying revenue growth across all 4 business areas and with underlying profit growth ahead of underlying revenue growth. We also made further strategic and operational progress and the organic development of increasingly sophisticated analytics and decision tools remains our #1 priority.

Underlying revenue growth was 4%, underlying adjusted operating profit growth was 5% and earnings per share growth at constant currencies was 8%. All 4 business areas, again, delivered online revenue growth as well as underlying operating profit growth. So let's look at the results for each business area.

Our STM business grew 2% in line with prior year, with key business trends remaining positive. In primary research, which represents just over half of the division's revenues, we continue to enhance customer value by building out broader content sets, more sophisticated analytics and evolving our technology platforms. We still continued good growth in databases and tools and in electronic reference across segments. Print books, which now represent less than 10% of Elsevier's revenues, saw revenue declines in line with historical first half declines. And print pharma promotional revenues declined moderately. Going forward, our customer environment remains largely unchanged. Overall, we expect another year of modest underlying revenue growth with underlying profit growth continuing to exceed underlying revenue growth.

Risk & Business Analytics grew 8%, in line with the first half of the prior year, and revenue growth remain strong across all key segments. In insurance, which represents about 40% of the division's revenues, growth was driven by enhanced analytics, extension of data sets and by further expansion in adjacent verticals. Albeit in a market environment that was not quite as favorable as in the first half of the prior year. The international insurance initiatives continue to progress well with the continued growth of telematics in several countries and establishment of a local presence in Spain in addition to the U.K. and Ireland, China, Brazil and India.

In Business Services, which represents about 1/4 of the division's revenues, growth was driven by further development of analytics across the financial and corporate sectors. In a positive marketing -- market environment. We now have a business service customers in over 100 countries and operations or sales offices in 15 countries.

The government and health care segments continues to develop more sophisticated analytics and other data services continues to drive growth through organic development and focus on the integration of recent acquisitions. Going forward, the fundamental growth drivers of Risk & Business Analytics remain strong. We continue to expect underlying profit growth to broadly matched underlying revenue growth.

Legal revenue growth of 2% was in line with the prior year. Continued growth in online revenues was partially offset by further print declines. The rollout of new platform releases continued across our U.S. and international markets with broader data sets and the expansion of early-stage Legal analytics. U.S. and European markets remain stable but subdued while other international markets continued to grow well.

Underlying profit growth was strong. The margin increase reflects organic process improvements and decommissioning of systems, largely offset by lower profits from joint ventures and other portfolio effects. Going forward, trends in our major customer markets are unchanged, continuing to limit the scope frontline revenue growth. We expect underlying profit growth to remain strong.

Exhibitions achieved underlying revenue growth of 6%, in line with the first half of the prior year. Revenue growth was good in Europe and moderate in the U.S. Japan and China grew strongly and Brazil remained weak. Most other markets continue to grow strongly.

We launched 21 new events and completed 2 small acquisitions in the first half. Going forward, we expect the underlying revenue growth trends to continue in line with the prior year and we expect cycling out effects to decrease the reported revenue growth rate for the full year by around 5 percentage points.

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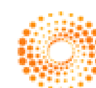

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Our strategic direction is unchanged. It's still to be a company that delivers improved outcomes to professional and business customers across industries, with our #1 priority being the organic development of increasingly sophisticated information-based analytics and decision tools that drive higher value for our customers.

I'll now hand over to Nick Luff, our CFO, who will talk you through our results in more detail. I'll be back afterwards for a quick wrap-up and our usual Q&A.

Nicholas L. Luff - *RELX PLC - CFO & Executive Director*

Thank you, Erik. Good morning, everyone. Let me start by reiterating expanding on the financial highlights that Erik showed you earlier.

Underlying revenue growth was 4%. Underlying operating profit growth was 5%. We've also seen an improvement in the adjusted operating margin to 31%. Constant currency growth in adjusted EPS was 8%. Cash conversion was slightly ahead of the prior period, 90%. Leverage at 2.4x EBITDA, adjusted for pensions and leases was in line with the position a year before. It was a little higher than the 2016 year-end, reflecting the bias of share buybacks and dividend payments to the first half. The interim dividends were up 14% for PLC and up 8% for NV. In the first half, we deployed GBP 500 million on share buybacks, leaving GBP 200 million to be completed in the second half.

Here's the income statement in sterling. Reported revenue was GBP 3.7 billion with underlying revenue growth of 4%. The impact of small portfolio effects and (inaudible) cycling out resulted in constant currency revenue growth of 3%. With the dollar and the euro both stronger against the pound, sterling reported revenue was up 14% in total.

Adjusted operating profit was GBP 1.15 billion, up 5% on an underlying basis. Portfolio changes brought that down to constant currency profit growth of 4%. The sterling figure was then boosted by currency, resulting in 15% growth overall. Margins were up 20 basis points at 31.0%. And then, Interest charge was GBP 87 million, slightly ahead of the prior year, reflecting higher net borrowings and currency effects, partially offset by lower average interest rates. The effective interest rate on gross debt was 3.4%, 0.4% lower than for the full year 2016, and historical bonds were refinanced at lower rates. The effective tax rate was in line with the 2016 full year rate at 22.7% but left us with adjusted net profit of GBP 823 million, up 5% at constant currency and up 17% overall. Reported net profit was up 24% to GBP 691 million.

The average share count was down by a little over 2% due to the share buyback program, converting the 5% constant currency net profit growth into 8% constant currency earnings per share growth. The relative weakness of the pound meant an adjusted earnings per share in sterling was up 19% to 40.5p. In euros, it was up 8% to EUR 0.47. Reported earnings per share were up 26% in sterling and 15% in euros.

Dividends per share are the same both PLC and NV. They are, of course, paid through currencies with the exchange rates set just before the relevant results were announced. We are increasing the rates for NV euro interim dividend by 8%, in line with the growth in euro EPS, equalizing to RELX PLC sterling interim dividend growth of 14%. The difference in growth rates reflects the year-over-year weakness in sterling against the euro since the 2016 interim dividends were set in July last year. For the full year, our dividend remains unchanged. We'll continue to grow the dividend broadly in line with earnings per share, subject to exchange rate considerations while maintaining cover of at least 2x in the longer term.

Turning to the business areas. As Erik described, you can see how all 4 areas contributed to underlying revenue growth. With Risk & Business Analytics, again, be particularly strong. Portfolio changes were slight drain STM, Risk & Business Analytics and for Legal. Acquisitions were slight positive for Exhibitions but that was more than offset by cycling and timing affects, which took 5% off revenue growth. With the pound weaker against both the dollar and the euro, all the business areas saw the sterling reported revenues boosted by between 10% and 13%. All 4 business areas generated underlying profit growth, with the highest growth coming from Legal, up 9% and from Risk & Business Analytics, up 8%. Exhibitions underlying profit growth of 1% reflects the impact of cycling. Portfolio changes were a drag on profit growth notably for Legal. However, for the sterling figures, year-on-year currency movements was a significant boost for all 4 areas.

STM's margin was unchanged with underlying improvement offset by portfolio and currency effects. Risk & Business Analytics margins were up 30 basis points helped by portfolio changes. Legal improved margins by 40 basis points as underlying cost reductions and a small currency benefit, partially offset by portfolio effects. Exhibitions margins were down 10 basis points, reflecting events cycling.

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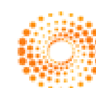

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As we previously highlighted, we are most significantly U.S. Dollar revenue earnings business. A substantial revenue is also being generated in euros. We do hedge certain of our future cash flows smoothly year-on-year variation in revenues and profits, primarily in STM subscription revenues, giving more stable euro and sterling-reported results. Compared to the prior period, sterling was weaker against most major currencies, including by 13% against the dollar, about 10% against the euro. This converted to an 11% benefits to reported growth of revenue, profit and earnings per share in sterling terms. Right now, sterling is actually a little stronger than it averaged against the dollar for the second half of last year and a little weaker against the euro. If exchange rates were to stay at the current levels, those effects will broadly net out leaving sterling EPS roughly in line with constant currency EPS for the second half. The full year differential between sterling in constant currency EPS would then be roughly half the differential we've seen in H1. Full year euro EPS growth would be a little behind constant currency growth.

Turning to cash flow. Pick out some highlights, CapEx at 5% of sales was stable compared to the first half of last year as well as depreciation. Cash flow conversion of 90% was up slightly. Cash interests was GBP 80 million, the increase in the prior year reflecting currency effects and the timing of coupon payments. Cash tax paid was lower compared to the prior period due to the timing of payments. Overall, free cash flow rose 23% to GBP 722 million.

And here's how we use the free cash flow that we generated. You see cash spent on acquisition was GBP 15 million in the first half. On the dividend -- the final dividend typically accounts for around 70% of the full year total. This is paid in May. Growth in dividend per share and the impact of currency translation offset slightly by shares bought back so the spend on dividends increased by 13%. And in previous years, we have buys the share buyback for the first half spending GBP 500 million of the GBP 700 million planned for the year.

Most of our debt continues to be denominated in dollars and euros reflecting our cash flows. With sterling was stable since the start of the year, the impact of currency translation on that was broadly neutral. That left net debt at GBP 5 billion as of 30th of June with leverage at 2x. Net pension obligations decreased to GBP 522 million, reflecting strong asset returns. Taking that into account, when you adjust for pensions and leases, leverage is 2.4x, unchanged from a year earlier.

And with that, I will hand it back to Erik.

Erik Engstrom - *RELX NV - CEO and Executive Director*

Okay. So just to summarize what we have covered this morning. During the first half of 2017, our positive financial performance continued and we made further strategic and operational progress. As we enter the second half of 2017, key business trends are unchanged and we're confident that by continuing to execute on our strategy, we will deliver another year of underlying revenue, profit and earnings growth in 2017.

Okay, and with that, I think we're ready to go to questions.

QUESTIONS AND ANSWERS

Erik Engstrom - *RELX NV - CEO and Executive Director*

Okay, so why don't we start up front here.

Nick Michael Edward Dempsey - *Barclays PLC, Research Division - Research Analyst*

It's Nick Dempsey from Barclays. Two questions, please. So first of all, just on the difference in Legal between the underlying profit growth and the reported profit growth. I know you've got Martindale-Hubbell going away there but 9 points is quite a lot. GBP 12 million, if I do the maths right. Did you sell something else in there? Or was that all Martindale? And if it is, how much is there left of that? How big was it in the first place? That feels like quite a large number. Second question. You talked about some success in telematics inside the insurance parts of Risk & Business Analytics. Can you give us a bit more detail on how that works? Did the insurers share their own telematics data with you? And then you aggregate it and

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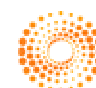

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build it into your data? Or how else are you getting telematics data? And then, how much of a factor is that in driving uplift when you renew deals with insurers?

Erik Engstrom - *RELX NV - CEO and Executive Director*

Okay, well, I'll answer the second, but I'll let Nick cover the first one first.

Nicholas L. Luff - *RELX PLC - CFO & Executive Director*

So in the -- you're absolutely right. The difference between constant currency and underlying for Legal is all about the disposals and a few acquisitions as well, of course, it is Martindale's, the most significant item within that but it's about half of it so there are a few other things in there as well. As you rightly say, the Martindale effect will continue for -- into the second half and well, next year, it will be gone. But of course, you will see the year-over-year effects in next year's numbers. So you'll see it impact this year. Second half, not probably quite as big as first half. And then, you got the impact next year and then that's gone away.

Erik Engstrom - *RELX NV - CEO and Executive Director*

Okay, on the telematics question. I think it's important to understand first that in terms of current financial significance, it is not material to the company or even to the total revenue with the insurance segment and the growth rate of the insurance segment. So in terms of mathematics and the total revenue stream, it's not material. It has no impact on our actual half year or full year revenue growth rate. But strategically, there are 2 ways that we're engaging that are significant strategic contributors to the future understanding of risk profiles. One way is we do engage directly with insurance companies through our telematics services and we often build in telematics features into when they want to sign up a customer or a driver and they give them choices. And if you monitor and track and using that risk score, you can actually get a discount. That's one way directly. The other one is -- another way that is very similar to how we've done everything else in insurance data across carriers and across geographies. Now which is at -- we look at all different sources of -- all different sources of telematics data whether that is installed in the OEM -- in the car when you buy it, whether that's boxes, whether that's small dongles that you insert or mobile phone-based or app-based. All those different ways of tracking people's behavior, we are able to take in, standardize, normalize, turn into something that's usable in algorithms across different segments, across different insurers, across different cars. And that's the general data normalization on daily exchange business that we're in for all the other parts of dataset that we operate with. And over time, we expect that we'll be able to contribute to that one significantly as well. Even though, again, I repeat that today, in today's revenue growth rate and revenues, this is not a material part of our revenue stream, okay?

Sami Kassab - *Exane BNP Paribas, Research Division - Media Research Director, Co-Head of the European Media Team & Analyst of Media*

I'm Sami at Exane. I have 3 questions, please. First, you reported that within the insurance market, the U.S. has seen a less favorable environment than last year. Would it be possible to elaborate on what you refer to? Is it the [true] database that seen less a request going through these other part of the U.S. insurance products that are seeing less favorable environment? Was 2016 particularly strong? Is 2017 exceptionally weak relative -- and perhaps give more color on that. The second question relates to the first one. But in the context of the less favorable U.S. insurance market, you still have reported the same organic revenue growth at 8%. So shall we infer from that, that the international assets within risk has seen growth accelerating? You mentioned Spain as a new country, won some contracts in Brazil. So can you comment on the international side of the old Risk Solutions business? And whether growth there is picking up? And lastly, would you share with us the proportion or the share of trade shows that you own versus the share of trade shows that you organized on behalf of trade bodies and other associations? And whether that share of own show has remained stable in recent years? Or whether there's a big change going on there.

Erik Engstrom - *RELX NV - CEO and Executive Director*

Okay, let me take those in order. The insurance market environment. Yes, what we have -- what we try to refer to there, because some people have asked that's a little bit of what's going on in your environment, what does it feel like? And I know that a couple of you have said that you heard

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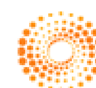

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comments from other people about some of our markets and we haven't historically try to make any judgment on or comment on the different markets and risks. So I figured we try this time. The insurance environment that we're talking about in the U.S. this time has really not a specific growth rate in the market. Those are set of indicators that we have about how favorable is the environment to our type of services other than the fact that we are continuing to introduce and rollout our own higher-value add solutions and roll them out and that drives growth. That's the fundamental major growth driver. The higher value add, the additional data sets, the additional tools that we introduce and rollout across the industry. In addition, we look at a few indicators in the market environment that indicate consumer shopping behavior, consumer switching behavior and how that seems to relate to price differentials and other things in the insurance markets. And if you look at those in total, the first half of 2016 was a particularly favorable environment. In the second half of 2016, it came back into what we consider to an average -- closer to an average historical environment. In the first half this year, you compare to what it was in the first half last year, which was particularly strong. And therefore, on top of that, it continues to be good and we're doing well. We have strong growth in insurance and you see the whole division's growing 8% overall but it's just not quite as favorable in the U.S. insurance environment. And all those different types of indicators to us as it was a year ago. But we're still very pleased that we're doing very well. The second question. Let me just make sure that you said international growth. You talk about the whole risk division or the old risk is what you're referring to? The old risk and how those portions are doing now internationally. We're very pleased with how that is going. We're continuing to grow internationally, we continue to establish ourselves in more and more locations, we have the international sales of global products and particularly, in Business Services and then we have some of the local operations that are being set up in a few countries. Some of those local operations don't really have much revenue yet but they're establishing a presence and building data sets. They have basically continued in the first half of the same rate as before, broadly speaking. There's no material acceleration in that revenue growth across the whole business that has a material impact on our overall growth rate. So we continue to do well in -- both in the U.S. and with our international efforts, but it's not like there was a big switch in growth rates, no. The last question was in Exhibitions. You asked very specifically what percent of our Exhibition revenue is owned by associations? So we operate on their behalf through contract -- it's really contract management. Approximately 5%-ish, right? About 5% of it is owned by associations -- fully-owned by them. Then there's maybe a few more percentage points that we organize in collaboration with different type of associations or organizations. But we own the show, right? So I think of the part that you're referring to, the ones that are owned by an organization or association that we have some kind of contracts for a multiyear to operate and we run it but they have -- they get a piece of economics and they ultimately own the long-term rights. And that's about 5%, okay? And has it changed over time? It has not changed over time materially because we tend to do more aggressive launching and spin-off and as long as we drive organic revenue growth in the assets that we own. I would expect that if you did a long-term trend and you really analyzed it through cycles that it would slightly reduce over time, and that's small. But very slowly and very small.

Sami Kassab - *Exane BNP Paribas, Research Division - Media Research Director, Co-Head of the European Media Team & Analyst of Media*

In other words, over 90% of your revenue -- or well over 90% of your revenue was off from shows that RELX owns?

Erik Engstrom - *RELX NV - CEO and Executive Director*

Well, yes. I mean, owns is probably approximately 95%. I mean, there are a few percentage points in addition to those that have been -- are done in collaboration, so to speak, where it's a partnership. But we own it as opposed to the other way around, the first 5%.

Patrick Thomas Wellington - *Morgan Stanley, Research Division - MD and Head of the European Media Equity Research*

It's Patrick Wellington of Morgan Stanley. Three questions. Just coming back to your new indicator of the U.S. risk market. Doesn't seem particularly reliable, does it. Because the first half of 2016, you grew 8 and it was particularly favorable. Second half of 2016, I think you grew at 10 but good for the overall Risk business because it was 9 for the year and that was a pretty average environment. And then you got a worse environment. You're growing at 8 again. So shall we discount this as an indicator relative your organic growth? That's my first question. The second question is, in your statement, you talked about your CapEx and where you're particularly spending it. And you highlight Legal and STM. But surprisingly, perhaps, you don't highlight Risk. So are you seeing a lesser requirement to invest in Risk in terms of CapEx? And then thirdly, just talk about the STM market. I know you're not going to talk about individual customers and German consortiums and so on. But I know you lie awake at night worrying about stuff. And do you worry that there's a sort of moral repugnance going around the market and the industry and academics about

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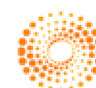

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the publishing process and the role of the major publishers within it? And that this will, over time, begin to bear down on the major publishers in general? Or do you think you can change the tone of the debate if you like?

Erik Engstrom - *RELX NV - CEO and Executive Director*

Okay, I'm going to ask Nick to cover the second one when we get there on CapEx and Legal, STM and Risk. Let me first address the first one on Risk growth. Yes, the market environment I referred to here as slightly less favorable or not quite as favorable as the first half last year, the first half, was just specifically the U.S. insurance market environment. As we also said, our Business Services environment continues to be very positive. Any indicators we have of that are slightly more diverse in several different end-user customer segments. And that was probably slightly stronger or maybe even in the -- let's call it the same as it was a year ago. So what I was referring to before with a slightly not quite as favorable as last year, that was the U.S. insurance segment trend. But again, we've said it before. The #1 driver of growth in the Risk business is our ability to continue to introduce broader data sets, more sophisticated analytics, higher value added decision tools and then install them, demonstrate their value, scale them up and roll them out across the industry. And that takes a few years to do. So the main driver is the value add that we do and that's what drives increased usage, increased value and so on. And the market environment -- that's why in the past, we haven't commented much in the market environment because we think we control our revenue growth in this market to a large extent through our value add. But if you look at U.S. insurance market environment, it's was particularly strong a year ago in the first half. But we also have the others, 65% -- 60%, 65% of the markets have continued to be strong just like a year ago, right? Let make sure and Nick?

Nicholas L. Luff - *RELX PLC - CFO & Executive Director*

Yes, so the CapEx question, Patrick. Obviously, as you know, the New Lexis platform roll out in Legal is our single biggest project we have going on, and which is why we highlighted that. In STM, we tend to have bigger individual projects because they're operating off that one big (inaudible) platform. But that's not say that we aren't spending in Risk & Business Analytics as well. It lot -- tends to be lots of smaller projects there. They add up to pretty similar percentage of sales to STM, that was a slightly smaller business. But it is true that because of just the number of initiatives and they tend to be fast rollout our products that what exactly you capitalize and they tend to be smaller. And so you don't capitalize quite as much perhaps in terms of the nature of the projects. But overall, still investing in Risk in the same way.

Erik Engstrom - *RELX NV - CEO and Executive Director*

On the last question of STM. Well, as you know, I never comment on any one individual customer or contract negotiation in any one country. I mean, I can tell you this, that what we have mentioned before is that the total number of contract completions so far, year-to-date, just a few days ago, was at the same level as it was over the last 3 years. And the growth rates built into this contract was the same as it's been over the last 3 years. So in total, in aggregate, for the more than 1,000 renewals that we do every year around the world, we're basically the same position in total as we have been. The question you asked about tone and (inaudible) is interesting because every year, among those well over 1,000 contracts that we negotiate, there are always a few, often a very small number, who decide that it's in their best interest to have a public debate or to express their views publicly. We tend to decide that it's in the long-term interest of us and of science to engage directly with each one of these customers and fully understand exactly what their issues and concerns are and make sure that we try to address all of them in a way that supports the research institutions involved and the individual researchers involved. That's always our approach. And sometimes, therefore, things become a little more visible and sometimes, a little less visible. But the way we see it is more on the tone that we see ourselves as a service provider. We are here to offer services to anybody who wants to publish in scientific materials in this specific subsegment. And we are very happy to provide service -- a full range of services. And I think that's becoming more and more apparent to our customer industries and to the research institutions over time. If you want to just post your own document, if you have a scientific discovery, a research paper, and you just want to post it and you don't want to do anything to do with the publisher, you just want to post it to make it available, we help institutions with those services. We help make it visible. We index them and make them visible. That's their choice. That's not something we publish or charge for. We just include it in all our -- sort of the kind of documents you can find. Second choice you have if you're an individual researcher, you can then decide that you want to submit it and publish it and you do want to pay anybody anything, you just want to make it available, published and you actually want to submit it, then have it reviewed, published, edited and produced in a way and integrate in all the different databases and guaranteed, then protect it and so on, forever. And you don't want to pay for it, you want users to pay if they want to use it, then we provide that service. If you then say, no, what I actually want to do is

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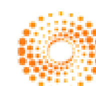

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I want to have it produced but I want it to be free to the users. But I want a publisher to do the work and put the quality stamp and edit it and do all the production, selection, integration and so on, but I'm willing to pay to have it broadcast. We provide that service as well. And as you know, all different publishers now basically provide all these services. And we probably have, in total, about 17% or so the total number of articles published in the world. We're probably the world's largest subscription-based publisher, we're probably the world's second-largest offer paid publisher right now, the last one I saw the data. And if you look at some of the manuscript postings and other things, there are indicators that we might be largest again. So we provide all these services and it's sort of up to the individual researchers under the principle of freedom to publish or to display to pick any one of those methods. And we are a large supplier of all the types of services. And I think that's becoming more understood over time, that we're not in the debate about which one you should choose, we're just providing the services. Let's go over here now.

Katherine Tait - *Goldman Sachs Group Inc., Research Division - Associate*

It's Katherine Tait from Goldman Sachs. One question just following up on the point you made on different models of publishing reset submissions. Can you talk about how the profitability would vary for you? Of course, there's different models and whether or not you are also really agnostic from that standpoint? And then secondly, on Legal. I understand you're investing a lot on these new products and that's been helping to boost the growth there. Can you talk -- or can you perhaps strip out what the growth was in the new products and as opposed to the growth in your more traditional business there as well?

Erik Engstrom - *RELX NV - CEO and Executive Director*

Okay. Well, on the STM publishing model question. There, actually, we are truly agnostic. There is no difference in us in principle between model or the other. There are hundreds of different price points for all of our different services and they depend on the quality, the quality control, the rejection rates, the processes and all those different things and that's the case to -- on subscriber pays or author pays and so on. So there is a market pricing for each one. We have a policy -- or basically pricing at or below market and to have price trends over time. There are also actually below market over time so that we offer something that's priced at or below market but pricing trends that are at or below market, and to do that with the quality of the service that we think should be better than average, quality service on leading technology platform and with better than average quality content. And if we do that, we believe that we can be a leader in each Legal subsegment over time because if you offer higher-quality -- at above average quality at below average prices, you should attract more over time. And we believe that we can do that in the long run. And because we have a machine that is by far the lowest cost and most sophisticated technology-base in the industry, we should be able to do that with attractive economics for shareholders over time, right. That's our approach to it. And we're very happy if anybody -- any one researcher wants to pick model one over the other. The second question. Legal, new products. Well, it's actually very interesting because if you take a true new product separately, and priced separately, sold separately to customers, does that have a material impact on our overall growth rate in Legal? No, not at this point. It's a little bit like some of the smaller new initiatives we talked about in Risk before. However, the new features sets that could look like products that are integrated in our core platform and integrated in the multiyear subscription negotiations for our users, are they adding material value to that platform so that they help our customers want to use our product? And therefore, want to sign up for it for the future? Yes. And is that material? Yes. Can I quantify it? No. Let's continue up here.

Ruchi Malaiya - *BofA Merrill Lynch, Research Division - VP and Senior Analyst*

It's Ruchi Malaiya from Bank of America. And on Exhibitions, is there any -- you've given us the color by geographies. Is there anything you can tell us about particular industry verticals that are doing well? Or coming under pressure? And then on Risk, you talked about the portfolio change helping the margin. Just if you could just clarify what change that was? And just to clarify that at this stage, you're not seeing operational gearing on that very strong top line growth, it's all going back into investment?

Erik Engstrom - *RELX NV - CEO and Executive Director*

Yes, I'm going to let Nick cover #2 there in a second. On Exhibitions, yes. As you know, we typically just give an overview by geography. And you were saying, you got the geography but you're interested in what's -- are the segment difference -- the sectors difference is underneath? Yes. I

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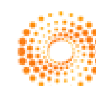

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mean, clearly, there are always some geographical swings as well as individual show swings in any one show, especially if you take a 6-month period. There's a little bit of sort of event volatility. But because we have well over 500 events in 30 countries, any one show usually have a very small impact on the overall. But there are, nevertheless, some sector trends that you can see. I mean, as you know, over the last few years, we talked about sector trends being a bit slow in natural resources and raw materials and so on over the last few years. That's basically stabilized at this point. And as you can see, our emerging markets, if anything, have probably stabled and have come back up a little bit, okay? In the U.S., it was not like the U.S. economy was doing poorly in any way on all our shows. I would say that the slower growth, if anything, has probably come in sectors relating to retail fashion jewelry have probably been the one that has slowed down a little bit in their growth rates. If you wanted the sector indication and most other, similar to what they've been to in the past -- not similar to those 3. So that's just a bit of an indication.

Nicholas L. Luff - *RELX PLC - CFO & Executive Director*

And the margin question, Ruchi. You are absolutely right there. The portfolio effects were positive for risks side. Obviously, they're making a 37% margin. So anything we sell that makes a margin of less than that is a help and we've been -- still sell things on the trade magazines and things that you've seen that we've done over the last 18 months or so. And in terms of the operational gearing question. As you know, we are -- our objective -- and our primary objective in Risk is to drive the organic growth and to drive it for very long time. That does mean putting results is behind the new growth initiatives. So we are willing to allow them to have the growth come right up to -- towards revenue growth. And were not seeking to drive dramatic improvement in margin. We're seeking to make sure we're driving organic growth in the long term. So absolutely we are putting the resources behind the growth.

Erik Engstrom - *RELX NV - CEO and Executive Director*

Let's continue from the front here.

Christopher Anton Giles Collett - *Deutsche Bank AG, Research Division - Research Analyst*

It's Chris Collett from Deutsche. Two questions. One was just on Legal and going back to the topic of new products. See from, Lex Machina, has been rolling out a whole series of new Legal analytics. Just wondering, do they fall into that category of the standalone products, which are not material? Or are they being rolled into the Lexis package -- into the base? And second, as part of the question on Legal, is just your acquisition of Ravel. Just wondering what you are planning to do that? Is that going to be standalone? Or is there going to some features that you're looking to -- again, to rollout across the platform? And the second question was on STM. I think one of the features of the markets -- perhaps the customers accessing STM content via of other means, things like research gate and then sometimes through -- obviously, through the Legal file-sharing sites. Just wondering, is there a point -- do you envisage a point where that sort of access to journal content grows via other methods? Grows to such a point where you could see cancellations of some journals? Perhaps particularly some of the smaller ones?

Erik Engstrom - *RELX NV - CEO and Executive Director*

Okay. On the Legal side, Legal analytics from Lex Machina. Lex Machina, by itself, is a very small revenue stream when we acquired it, right? And it's a small product set. But it's, again, falls in the same category as what we talked about before. The feature functionality set, what they can do is extremely powerful. And when we acquired them and put that on top of our historical database, our current database of all different cases and all our other datasets that we have in our company, they become a lot more powerful than when they're standalone. So what we're doing with Lex Machina today is, again, not having a material impact on our additional incremental revenue stream at the moment. But we believe over time, there will be some separate products that will be priced separately and sold separately that will be using a fair amount of that technology. But most of it is going to be integrated onto our core platform and do higher value add, Legal analytics across our user base and across our content sets. The same thing is for our new on, Ravel Law, which is, again, a small legal analytics-oriented company that we're going to integrate into our operations, integrated into our services, and the primary value over time is what it can bring to them core content sets and our core data sets and our core platform. The last one on STM. Yes, as you know, I'm not going to comment specifically on one site or anyone company. But piracy and illegal file-sharing services have been a feature of all intellectual property industries for a long time and will continue to be a factor in the future as

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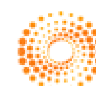

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well. As you know, in all our different divisions, we have intellectual property relating to contents sets to taxonomies, to data sets, to algorithms, analytics and to software tools, right? And we have intellectual property rights in all of those. Also in general, we have fairly generous sharing and fairly flexible rules around what people can do with it. However, that does not stop illegal file-sharing sites or illegal piracy sites to start to expand and go beyond the traditional -- sort of normal, sort of local or personal use. When that happens, for us, just like in any other intellectual property industry, there are relatively standard procedures for how to deal with that. First of all, we go through -- often through industry associations or other intellectual property organizations and contact the specific site or specific organization and talk them through in a friendly way what they can or can't do. Sometimes, those things get resolved very quickly, sometimes they lead to very long discussions about future potential constructive relationships. And they take a while but ultimately, they tend to get resolved in all the industries. And most of the time, that's all that is necessary. In certain situations, you have to go beyond that and there might be other type of legal processes in the end. But typically, this is fairly well understood and we're not the only industry that deals with it. So in the long run, I believe that it will always continue to be a factor but we will continue to resolve them just like other intellectual property industries have.

Thomas A Singlehurst - *Citigroup Inc, Research Division - Director and Head of European Media Research*

It's Tom Singlehurst from Citigroup. So I had a couple of questions both on Risk. Actually, going back to the question on telematics. I was just interesting because, I mean, to the extent that insurance companies are trying to get a proprietary edge on the behavior of individuals to better price risk. I'm interested in why they would be willing to hand over telematics data to you to effectively sell onto other people and sell back to themselves? And then also in that same context, with things like the GDPR, I know that's a European thing. But to what extent are, or will the insurance companies be prevented from handing data over to you because of consumer protection requirements? The second question, coming back a little bit to Patrick's question on your comment about the outlook for insurance. So it feels a bit odd that you're bringing this up as an issue. Are you trying to warm us up for a slowdown in aggregate revenue growth for 2018? Or should we expect the 8% to slow down to 7%?

Erik Engstrom - *RELX NV - CEO and Executive Director*

Okay, let me talk about both of those. On telematics -- or why hand over parts of data? Well, most the data is not generated directly at an insurance company, of course. I just generated that at the drive -- at the point of driving, and it can be generated in lots of different ways. But over time, even if you said that in the end, the insurance company build their own data sets, that's perfectly fine. I mean, as you know, we operated in this insurance market for 25 years. Insurance companies generate an enormous amount of internal data. That's what they do for their customers and that's how they drive their economics, that's how they drive their strategies, their target marketing, their retention. They all have fairly different policies of how to actually serve their customers. They have a strategy. All we know is that over and over and over again, with all different data sets and all different algorithms, that if they continue to do it by themselves, they have one economic model. If they then test run using only their economic model versus using over additional data sets and the ones that can be available from our data sets, from our databases, from our algorithm, you put them on top, they make more money. They improve their economics, they improve their strategies, they improve their targeting. And if they do that, they will want to see that value added from us. So this to me, the telematics dataset is not that different from any other dataset whether that is background behavior, criminal behavior or crashes or claims history or any other things that we can associate to profile the risk of a person or the risk of an asset or type of asset by location. So we see it as very similar. Let me make sure, I see it. Yes, you said a question of the insurance market commentary. No, we're not trying to introduce anything. It's just that we have heard a couple of comments from you or other people over the last few months that they have heard comments about what's going on in some of these risk markets in the U.S. And it's the only division where we never made a market commentary in our writeup because it was so much driven by what we do. So we said we'll put in a comment in the 2 larger segment of -- what is -- what does the market environment like? Is was not a forward-looking statement at all. It's a retrospective looking. All the things that we can find here, all the things we measure, they're not forward-looking indicators. It's a way for us to disaggregate what we saw in the prior quarter and we do it retrospectively and then we look at it and try to segment, where -- what did we see and how did people behave? It's not a forecasting tool. We don't have it at that level at this point. The last question, let's see. Was that it? That was it. Thank you.

Giasone Ulisse Salati - *Macquarie Research - Senior Media Analyst*

It's Giasone Salati from Macquarie. Just to close on this risk growth kind of development. Second half comes with a 200 basis points of higher comps. So we should not see that as a headwind? We're kind of fine expecting the same underlying 8%, 9% revenue growth at the organic level there. And

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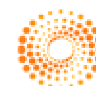

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secondly, one for Nick. Maybe I'm reading too much into that but in the press release, the wording around the buyback nearly seems to suggest that there is so little left for the last 5 months of the year, that you might consider increasing the GBP 700 million to a higher level. Bear in mind, that had a 2-plus percent impact in EPS growth in H1, you're going to be left with less than 1% in H2, which might be undesirable. And last, in terms of leading indicator for the whole division, I think last year, we had seen an improvement at first and then a little bit of a comeback. The latest Thompson Reuters leading indicator seems to be quite positive. Can you share with us your view on the market from that standpoint?

Erik Engstrom - *RELX NV - CEO and Executive Director*

I'm going to let Nick cover #2 after I cover both the 1 and 3 first. First of all, on risk growth. I'm not sure I fully understand. Did you say to me that there was a 200 basis point differential? Is that what you said?

Giasone Ulisse Salati - *Macquarie Research - Senior Media Analyst*

Yes, organic revenue growth was 8% in H1 last year and 10% in the second half.

Erik Engstrom - *RELX NV - CEO and Executive Director*

That's interesting mathematics. As you know, we round to 4 percentage points. And for the full year, it round -- for the half year, rounded to 8 for the second half. For the full year, it rounded up to 9. So you can -- of course, we're not going to get into start to use decimal points for time periods or subdivisions in this company. We're predictable enough. But as you can guess that the difference can be smaller, it can be large between rounding to 8 or rounding to 9 or being 8 or 9 for the half year and the full year. We don't quite see it the way you saw it. So let's put it that way, that was the gap. But we did have, as we articulated last year in the third quarter, we had particularly strong for a period of time -- particularly strong activity for a period of time. We have no indication right now on any of our businesses on what their revenue -- sort of transactional volumes -- what they're going to be going forward. We don't -- within these sort of small variations in very strong growth market, we don't try to make any sort of month-by-month detailed market forecasts. All we can tell you is that so far this year, in the first half, our growth rate was basically the same as a year ago. And if you net out all the different market factors in the first half this year with the first half last year, it was very similar, right. It was slightly, slightly less favorable in one portion and very favorable and continue to be very -- well, in the other portions and in the majority. Going into the second half, we don't see anything different. That does not mean that they couldn't be things that are different but we have not attempted to [try to do] market forecast there. The Legal market, your third question. From us, it's a little bit similar. We track what is going on and what we have seen in the Legal market. We do not make any Legal market forecast ourselves because there's so many other companies that do that, right. There are lots of companies that do that and have market forecast: consulting firms, standalone firms et cetera, et cetera. If you look at those indicators over the last 5 years, let's say, you have seen quarterly, I would say, volatility almost that is within a certain band. And whenever we've seen a little bit of dip, it tends to come back within 1 or 2 quarters. When you see a little bit of a bounce up, it tends to come back down over the last 1 or 2 quarters. And we have not, so far, up until now, seen anything that indicates that, that sort of bouncing around in the certain range has been anything different from that history. Meaning that it seems to bounce around within a certain range. But again, we don't do any of our own forecast so I can't predict what will happen. Next, do you want to comment on the buyback?

Nicholas L. Luff - *RELX PLC - CFO & Executive Director*

Yes, just saying on the buyback, exactly the same as we were a year ago. We did 500 in the first half last year, 200 in the second half. We've done 500, we have 200 to go in the second half. So it's no different. The average share count in the second half, of course, against the second half of last year will benefit from the shares we bought back in the first half. So the 2% differential in the share count will apply in the second half pretty much exactly the same as it did in the first half. And we will update you on our 2018 buyback plans in February.

Erik Engstrom - *RELX NV - CEO and Executive Director*

Okay, there's one over here.

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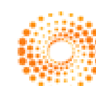

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Steven Craig Thomas Liechti - *Investec Bank plc, Research Division - Media Analyst*

Steve Liechti. I just -- just one question on print books. Back to historic trends. So my recollection was, well, the industry had a tough time last year. And I think you agreed that it might be some element of destocking there going on. Can you just give us some more color in terms of how you're seeing things going there? And I guess any feel for future?

Erik Engstrom - *RELX NV - CEO and Executive Director*

Yes, I mean, as most of you are well aware, over the last few years, we've continued to see a gradual print book decline, partly to the shifts over to electronic solutions sets and also declined. So -- and we've said that that decline has been -- is very sedate because it's transactional business. But it's sort of been in the high-ish single digits most of the time on average. And in the first half, in most years, it's been fairly consistent in those directions, right? A little bit of volatility on timing of orders and so on. But basically, it's continued in a certain trend. In the second half of last year, it got worse. And I know many of the players who are very large in print books that have more detailed and deep relationship with all the different distribution chains, they articulated that they saw destocking effort in the second half of last year and are -- what we saw seem consistent with that. But I can't tell you that that's what actually happened. But what we saw that was consistent with that storytelling in the second half of last year. And the fact that this year, it seems to be back more to, so far, to typical first half environment. That's all we know so far. Again, it's a little bit like what you just asked me for about the other industry segments. What will happen in the second half? Again, we don't really have any type of print book predictive model or industry survey that we do to predict the second half. So we are just assuming as it's about 10% of Elsevier -- 10% of one of our divisions is print books now. We look at it and say, "We are assuming that it's going to continue in line with historical patterns until something else pops up -- until we see a change." And at this point, we have no indicator that it's anything different from the normal historical patterns this year so far.

Steven Craig Thomas Liechti - *Investec Bank plc, Research Division - Media Analyst*

I know it's tiny few. But just interesting, obviously, to extrapolate for us. But just in -- are you noticing any difference in returns? So has that destocking implied this fewer returns for you? Or do you think it was just a channel sort of just taking stock out of it and doesn't really matter?

Erik Engstrom - *RELX NV - CEO and Executive Director*

Again, the first half is smaller than the second half for us, all right. Which means that it's very hard to draw conclusion from it. But if you said -- to me, it looks like maybe returns in the first half -- the actual physical returns have been marginally lighter, right? But if you would assume that in a shrinking market, they would continue to come down. And again, that pattern would be consistent with a comment on a larger than usual destocking the second half last year. But again, in the context of the full year, in our full year revenues and the total revenues, even total print book revenues, that's actually not the material factor. The material factor will be both shipments and returns in the second half. That's the more important question. And that's a forward-looking thing and that's harder for me to predict. But the first half, I would say the world looks pretty similar to previous first half.

Okay. Well, thank you very much. Thank you for taking the time to come. I look forward to seeing you again soon.

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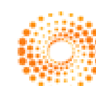

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