RELX Group Nine Month Trading Update Call

Thursday, 26th October 2017

Welcome

Operator

Good day and welcome to the RELX Group nine month trading update call. For your information, today's conference is being recorded. At this time I would like to turn the conference over to Mr Nick Luff, CFO. Please go ahead, sir.

Results Summary

Nick Luff

CFO, RELX Group

Thank you Alex, 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 the call over to questions.

As you've seen from the statement this morning, the underlying operating trends across our businesses in the first nine months were similar to those we reported at the half-year in July. Underlying revenue growth was 4% overall and we have maintained positive underlying revenue growth across all four business areas. The outlook for the full year is unchanged and we are confident in delivering another year of underlying revenue profit and earnings growth. We continue to transform our business, primarily through organic development, supported by selected portfolio actions.

So far this year we have completed the acquisition of six content, data and exhibition assets for a total consideration of £118 million. We have also disposed of a number of print magazine and other assets for a total proceeds of £78 million. We have also completed £650 million of the 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 & Medical underlying revenue growth was 2%, with key business trends remaining positive in primary research and electronic databases and tools. Print books, which represent about 10% of the division, moderated their decline relative to a weak prior-year comparative. Print pharma promotion revenues, which represent about 5% of the division, returned to historic decline rates, having been stable last year.

Risk & Business Analytics grew 8% underlying with strong growth across all key segments. The market environment for the US insurance remained unchanged from the first half, so not quite as favourable as in the first nine months of last year. Business services and other segments continued to see a positive environment.

Legal delivered 2% underlying revenue growth. Market conditions in the US and Europe remained stable, while other international markets continued to grow well.

Excluding cycling and timing effects, Exhibitions grew 5%, the same as at this point in the each of the last two years. Overall growth remained good in Europe and strong in Japan and China. The US continued to see differentiated growth rates, with some softness in fashion and jewellery but good growth elsewhere.

With that introduction I will now hand over the call to questions, Alex.

Q&A

Operator: Thank you. If you would like to ask an audio question at this time, please press the star or asterisk key followed by the digit one on your telephone. Please ensure the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find your question has already been answered, you may remove yourself from the queue by pressing star two. Once again, that's star one to ask a question. And we will take an opening question from Sami Kassab of Exane. Please go ahead, your line is open.

Sami Kassab (Exane): Good morning –

Nick Luff: Morning Sami.

Sami Kassab: Hi, good morning Nick, good morning Colin, good morning everyone. Three questions to start with, please. In the past you have linked the size of the share buyback to previous-year acquisition spending; the acquisition run rate is relatively low compared to the last five years. Should we read something into next year's share buyback or is it too early to say?

Secondly, within Elsevier, the books are doing better but the division is still at 2% organic revenue growth, despite the fact that book cost you one point last year. So what's offsetting that? And if it's pharma promotion that's offsetting it, can you elaborate a little bit more as to what's going on with pharma promotion?

And lastly, still within Elsevier, can you give an update on journal contract renewals and how you stand compared to last year? Thank you Nick.

Nick Luff: Okay, thank you Sami. I think you answered your first two questions. On the share buyback, yeah, as you say, our acquisition spend so far this year has been lower than – the run rate than the average spend for the full year which we've seen the last few years. But there's still a quarter to go so we'll see where we end. The buyback, as you know, we decide each year in February based on where we're at and what the acquisition spend has been, and the prior year was certainly a factor in that and where the balance sheet is etc., but we will decide that at the time; as you say, too early to say at the moment.

Your second question, on STM – as you say, print books certainly was better than it was last year. On the other hand pharma promotion – print pharma promotion revenues, having had a better year or 18 months or so, are now back to their historic run rate of decline. So you've got books a little better and pharma a little worse and the overall picture, certainly within the roundings, is the same. And I don't think there's anything particular in pharma promotion to point to. It is a transactional business. It does vary depending on what pharma companies are doing and how regulation is affecting them and so on. And so we had gone through a period of sharper decline a couple of years ago and then it eased off a bit and now it's back to normal.

And your last question on – also on STM was on the journal renewals. Obviously, at this stage of the year we're largely done with 2017 renewals. And overall we are in broadly the same position as we have been in the last couple of years, in terms of the percentage renewals, and indeed in terms of the revenue increases that are built into the renewals that we've agreed. So overall very much the same as we've seen in the last couple of years.

Sami Kassab: Thank you Nick.

Operator: We will take our next question from Nick Dempsey of Barclays. Please go ahead, your line is open.

Nick Dempsey (Barclays): Yeah, morning Nick, two questions. So, first of all, you mentioned fashion and jewellery in Exhibitions. Would you characterise that as being some kind of structural problem related to how the retail world is changing, something that UBM have mentioned? Or is it just that you are feeling that those underlying sectors are a bit weaker and they'll come back? And then I suppose, are there any other sections inside your exhibitions portfolio which touch on that retail world, where we should have some concerns going forward?

Second question – quite a specific one on STM – so in Germany we know some universities are boycotting Elsevier but you're still providing them with your journal content. In that situation, does that university contribute zero revenue to your P&L, as you're accounting for it now? Or do you keep counting the revenue because you know you're going to get it at some point when you put together the big deal and that will be back-dated?

Nick Luff: Okay, I mean, the first question, the fashion and jewellery segment is – I mean, it's hard to tell or distinguish between things that are short-term fluctuations that individual sectors are showing and structural changes. You know, we are obviously always adapting our offering to suit different industries and adapt to what they do, and how they use exhibitions can change over time. You know, we've seen this in the past. I think a couple of years ago we were pointing to differentiated growth rates by sector in China and that's sort of now behind us. So we'll keep adapting and evolving.

And when you operate, as we do, 500-plus shows across 30-plus geographies, in the numerous different industries we're serving, you'll always have things going on, sometimes structural, sometimes cyclical, within a country. And the key for us is to keep changing the portfolio, to keep adapting to what's going on in our own customer markets, to keep launching new shows into faster-growing segments and indeed closing down old shows that are no longer – the demand is no longer there for. So we'll keep doing that and adjusting accordingly, and that's the benefit of having the breadth and scale we've got.

On STM, I think, as you know, I'm not going to comment on any individual country or customer discussion or negotiation. I mean, your question about revenue recognition – clearly we do, in the early part of the year, make – and certainly part of the sort of first half point, we do make assumptions around what is likely to renew and what isn't like to renew. By this time of the year, though, you know, that's largely academic. We've reached the point where it's immaterial, the assumptions you have to make around that. And so by this stage it's – you know, it's largely based on renewals that have actually taken place.

Nick Dempsey: That's great, thank you.

Nick Luff: Great, thank you.

Operator: We will take our next question from Tom Singlehurst of Citi. Please go ahead, your line is open.

Tom Singlehurst (Citi Group): Thanks very much; Tom here from Citigroup. I had a question on Germany as well, actually, I'm afraid, so I apologise about that. But you're not going to give a running commentary, I understand that. Can you at least roughly quantify what Germany contributes to the STM division so we can at least get a sense of what the sort of order of magnitude in terms of exposure is? And then the second question is, once again, not necessarily a running commentary on a deal but, you know, if a deal isn't struck, when would we expect that to be actually kicking into the numbers?

And then a final question, I think one of the claims in the – I think it's either the German or the Dutch dispute is that you charge – I think the quote was 2–3 times more than SpringerNature, Wiley and Taylor & Francis. So I was just wondering whether you could give us – well, firstly a sense of whether you recognise that number but do you have a sense of your relative pricing in the German market or more broadly? Thank you.

Nick Luff: Okay, well, Tom, as you rightly say, I'm not going to give any details in a particular customer negotiation. I mean, I think, if I can help you a bit, the STM revenue breakdown, about a quarter of STM's revenue comes from Europe; obviously, the big countries within that are the UK, France, Germany. But that – and also remember STM's revenue is not just journals, it also covers the health side of the business, so you can probably make some estimates from that of the scale of any particular country.

I think, on your last point, you know, I think all our analysis and what – I think it's been accepted by a number of third-party commentators, indeed it's referred to when we did the UK renewal a couple of years ago, in what they said about it is that the volume that we offer the customers, the quality that we're offering and that relative to price, we are very attractive compared to other publishers. And that's our strategic objective, to offer better value than everyone else. So that's what we seek to do and I think the independent commentary would support that.

Tom Singlehurst: That's super clear; thank you very much.

Operator: We will take our next question from Patrick Wellington of Morgan Stanley. Please go ahead, your line is open.

Patrick Wellington (Morgan Stanley): Yeah, morning everybody. I'll try and steer off Germany but I'll go back to it in a second. Risk had a particularly strong comparative at the nine-month stage last year; it stepped up to 9% and yet you've continued to do a good 8% in this period. At the same time you don't seem to be wildly enthused by the insurance environment, so could you talk around that a little bit more?

And then secondly, I'm not going to ask questions about Germany specifically, but can you remind us how long it took to renew the deals in STM in the Netherlands and the UK? And in terms of Nick's question about revenue recognition, I didn't really understand your answer. So maybe in the context of the UK and Dutch deals, you can say how you accrued revenue in that period and when you recognised revenue in that period. My take from your answer is that you are accruing – or you are recognising nothing at this stage for the German universities affected but maybe we can illustrate that with those other examples? Thank you.

Nick Luff: Okay, if I take the Risk & Business Analytics question first, you're right Patrick, last year we did point to particularly high transactional volumes in the third quarter and we're obviously lapping that this time around. The mix this year is a little different; it was at the half-year point and that continues to be the case. So we have seen, you know, quite a positive environment for the business services and the other segments. The environment for insurance has not been quite as favourable as it was last year, and we can see that and measure that based on the volume of activity going through our existing products that we have out there. There are numerous factors that play into that and how insurance companies are reacting to their own positions in their own marketplace, with price changes and the like. But when we sort of measure it, we can see that.

Now that – notwithstanding that, of course, we are continuing to roll out our new products and we continue to innovate and are doing things that give us – drive growth regardless of what's going on in the underlying marketplace. But, you know, certainly the balance within the Risk division in terms of the underlying market support is different to last year, as it was at the first half, and it's continued through the third quarter.

I think on your other questions about the timing of deals, you know, it is true that these – some consortium deals, which are often three-year, five-year deals, can – you know, they're quite big transactions, both for us and for the consortium buyers. That does mean they're important negotiations that can sometimes take some time. And it's not unusual to see commentary on them and press commentary on them for a nine, 12-month period. So that does happen but I'm not sure I can give you any additional colour on that.

And on revenue recognition, I'll try and get across what I said before but, you know, what each year we do – during the first half of the year, when there are lots of renewals and discussions going on, we do have to make some assumptions around what is likely to renew and what isn't. And we seek to do that on a prudent basis and adjust that as we go along. And whilst in theory that remains the case, by now, because most of the renewals are done, the amount we're – the assumptions we're having to make are largely immaterial, so not a significant factor in our judgements.

Patrick Wellington: I mean, my take therefore is they've not renewed, they're not paying, they're getting this stuff on a sort of *pro bono* basis while the negotiations go on. So from that group of universities one doesn't recognise revenue at the moment.

Nick Luff: Well, as you identify, Patrick, I'm not going to give a running commentary on the specifics of any one customer and that includes getting into the depths of how we recognise revenue around that.

Patrick Wellington: Okay, thank you.

Operator: We will take our next question from Matthew Walker of Credit Suisse. Please go ahead, your line is open.

Matthew Walker (Credit Suisse): Thanks, good morning. Two questions please. The first is: could you give us an idea of what the print decline in STM for the print book – the 10% which is print books – was for the nine months compared to the same period last year? The same question for pharma declines as well, because you mentioned historic levels but just a percentage would be helpful.

The second question is we've all seen the data breaches at the credit unions. What measures do you have in place to prevent such a data breach for yourselves? And have you – as a result of the other data breaches at other companies, have you taken more measures to ensure that this doesn't happen at RELX? Thanks.

Nick Luff: Okay. So, the print decline – print book decline in STM, I think this time last year I said that the sort of normal range that we've seen for those declines has been from high single-digit into low double-digit and we're at the top end of that range. This year we are actually below the bottom end of that range, so that gives you the sort of swing we've seen year on year.

Pharma – print pharma promotion revenue historically has – you know, mid-to-highish single-digit declines has been what we've normally seen. It did stabilise, you know, for a period. Certainly last year's revenue was broadly stable and now we're back to that more normal long-term run rate.

In the data breaches, data security, if you look at our risk disclosures as a company, data security is right up there; we do disclose that as a key risk. It's something that's absolutely inherent in what we do. We pay a lot of attention to it: the Board looks at it a lot, the Executive Committee looks at it a lot, the – we have teams within the business that are providing assurance over it, conducting testing, etc. And most importantly it is built into our thinking about how we design our products, how we collect our data, how we store our data and we seek to learn constantly.

The threat is evolving constantly, we seek to learn from looking at the external environment. That includes looking at what's happened to other companies, whether in closely-associated sectors or otherwise, and always seek to learn from their experiences. And you know, that means we continue evolving the work we do, including the testing we do. And that's been no different in the last few months than it has been previously in the sense of just always looking to learn and from external things that have happened and seek to test our business for the risks that we've seen manifest themselves elsewhere. We do all that; it remains a risk and it's something that we pay a lot of attention to.

Matthew Walker: Okay, thanks a lot.

Operator: As a reminder, if you would like to ask an audio question, please press star one on your telephone keypad. Our next question comes from Ian Whittaker of Liberum. Please go ahead, your line is open.

Ian Whittaker (Liberum): Thanks so much. The first question, I mean, you didn't do this last year – didn't do this last year as well but sort of you didn't mention anything in the guidance just in terms of the profit by division, in terms of what you're expecting there. Has there been any change in terms of your commentary on profit growth or margin growth, etc., from what you said in the first half on a divisional basis?

Second of all, just in terms of – apologies if I missed this – in terms of fashion and jewellery in Exhibitions, did you give sort of how much of your business in those areas actually come – or in Exhibitions, rather, actually come from those areas? Thanks.

Nick Luff: So your first question on profit guidance – as you rightly identify, we don't include anything on profitability in this statement. Nothing has changed in our guidance from the position that we outlined at the second quarter of the half-year results, so no change.

Fashion and jewellery, it depends. I don't know that we've given it a precise percentage but fashion and jewellery, it depends exactly what you count in that category. It's a reasonably mature part of our US operation but for the division as a whole, you know, it's more in the 10–15% range in terms of – depending exactly how you define the sector, but in terms of its importance.

Ian Whittaker: Thanks so much. If I can just ask a quick follow-up as well, just coming back to some of your comments in terms of the Risk division on what you said about insurance not being as favourable as last year, I mean, sometimes it can be sort of difficult to characterise these changes. But the terms for those changes would you broadly describe them as more sort of cyclical in nature, i.e. the – sort of it's just changing year-on-year patterns? Or do you think sort of maybe they're related to perhaps more longer-term related issues in the insurance industry?

Nick Luff: Well, it's very hard to identify on a day-by-day basis, you know, exactly what is causing the volumes that flow to our products to change. But I would remind you – I think it was pointed out in one of the earlier questions – we did have particularly high transactional volumes within the Risk & Business Analytics division in the third quarter of last year. That includes insurance, of course, and we're now lapping that. So it was always going to be tougher against that comparative and we do typically see variations in the volumes in insurance for all sorts of factors. Day by day we see weather coming into play, we see consumer behaviour, how that changes, but it can be – often be short-term factors and we're not seeing anything different in the pattern from what we've seen over the last few years, just that – what looks like normal variation.

Ian Whittaker: Great, thank you.

Operator: We will take our next question from Richard Eary of UBS. Please go ahead, your line is open.

Richard Eary (UBS): Morning Nick, just a couple of questions from myself. Just – I don't know, first of all, whether you can give us a little bit more colour on the Risk side. And maybe just highlight – I know there's a lot of assets within that Risk business, just maybe some colour in terms of which ones are outperforming, which ones are underperforming and which ones are showing acceleration and deceleration, so we get a little bit more colour in terms of what's going on within that business?

The second thing is just on Legal. I don't know whether you can provide some colour in terms of that 2% number, how much of that is physical share gains versus industry growth? That would be great, thanks.

Nick Luff: Okay, so the Risk division – I mean, I don't think I would characterise it as particular segment under or outperforming. I think, as we said in the statement, all key segments continue to show strong revenue growth, so it's all – it's a nuance, as it were, against the year-on-year and what – which parts had more favourable environments or less favourable environments. So the risk division, you know, insurance is a significant part of it and as we've said and discussed, not quite as favourable the environment there but elsewhere in Risk we are seeing quite a positive environment. And, you know, it's a relative comment and those segments were growing well last year and they're growing well this year, so it's not a sort of massive swing but it is just a more favourable environment. Clearly the –

you know, a lot of what we do around identity verification and identifying fraud and, you know, the underlying external trends in the marketplace and the need for those products is continuing to increase. And the same is true of our products that help customers deal with regulation, whether it's sanctions or anti-money laundering or things like that. The overall market environment driving demand for those products is positive and we continue to see that.

In Legal the 2% growth, I don't think we've seen anything change in the underlying market environment. It remains subdued and I certainly wouldn't characterise market share positions as changing. You certainly couldn't see that from the data in terms of the quite subtle differences in growth that you might see from different businesses. You know, we continue to roll out, within our business, the new products, introducing more analytics into the Legal products, into the customer base there and that's – you know, that's what our focus is on, is what we can control. We are, as we say in the statement, continuing with the rollout of the new platform releases and the new Lexis and the migration across to that is progressing well. So those are the factors that we're in control of and that we're looking to manage to drive the growth in Legal.

Richard Eary: Nick, maybe just to follow up on Lexis Advance, I mean, historically you've given some stats in terms of where we are on the migration onto new platforms. Where are we at now in the third quarter?

Nick Luff: Well, I don't think we've given a specific percentage but we have said that for the US customer base, law firms in the US, we are looking to complete the migration onto new Lexis around the end of the year and we're on track for that.

Richard Eary: Okay, thank you.

Operator: We will take our next question from Ruchi Malaiya of Bank of America Merrill Lynch. Please go ahead, your line is open.

Ruchi Malaiya (Bank of America Merrill Lynch): Morning Nick, back on STM, I was just reading about ResearchGate, which is this sort of social network for scientists. And you've taken an approach to threaten legal action and sent take-down notices for the copyrighted content on that platform. Some other publishers are trying to negotiate a way forward with ResearchGate. Just interested in your views on how you expect that to play out.

And then a question on Exhibitions: we saw your recent acquisition of MCM, which organises pop culture events, so it looks a little bit more consumer-facing than B2B, so maybe if you can talk us through what attracted you to that type of event?

Nick Luff: Okay, so the first question on sharing of material in science, look, I think the first thing to say is our objective is to be very supportive of the sharing of scientific material and to promote the advancement of science through that. And we're supportive of anything that does that as long as it respects the integrity of science and is sustainable. So we do that; we have very generous sharing policies. You know, having said that we do create intellectual property in what we do and like all industries, there is a need to seek to ensure that people work with that in an appropriate way. And there is often dialogue with particular organisations and companies and websites that share information as to exactly, you know, what's appropriate and what's not appropriate. Sometimes that does require a legal process to clarify that and that's probably as much as I can say.

Your second question on the MCM Expo business that we bought, we have developed a good business in pop culture exhibitions, the Comic Con shows in particular that we've been developing in the US for a number of years. We have expanded that internationally and MCM Expo is an interesting acquisition in that space. It fits very well with what we do already in other countries, we think we can bring something to it, it gives us a good starting position for doing that sort of in the UK. And it's just another reflection of the value of having the platform in exhibitions, operating these 500 shows across the number of countries we operate in. It is constantly evolving, we're looking to launch new shows, develop new shows, sometimes acquire new shows to bring them in, and ensure that we're operating in the sectors that we see good growth in. And the pop culture shows are a good example of that, where we've done, you know, largely organically but with some acquisitions to help it, where we've seen good growth. And we'll keep doing that and evolving and adapting as other sectors develop.

Ruchi Malaiya: Thank you.

Operator: We will take our next question from Chris Collett of Deutsche Bank. Please go ahead, your line is open.

Chris Collett (Deutsche Bank): Hi there. You said –

Nick Luff: Hi Chris.

Chris Collett: Hi there. Just two quick questions, one was just to come back onto Legal; I know you said that the environment hasn't really changed this year but there's certainly been some commentary in the market that litigation might be starting to pick up. So I'm just wondering have you seen anything around an underlying pick-up among your clients, in terms of their activity in the litigation market, or prospects for an improvement in litigation.

And then secondly was just to come back on the insurance part of Risk. You mentioned that – when you were talking about insurance being not quite as favourable as last year, you mentioned some of the indicators that you look at. I just wonder if you could share with us the sorts of metrics, or indicators, that you think are relevant. Thanks.

Nick Luff: Okay, I mean, the first one, on Legal, I mean, litigation, of course, is only part of the legal market and it's difficult for us to say whether any one particular segment has particularly changed. We are a somewhat lagging indicator because when legal market activity picks up it takes some time before it flows through into our volumes and then our contracts, etc. And, you know, when we look at it overall and certainly some of the more industry-wide commentary that we look at is not showing any particular change. And you do get variations in some segments but overall we don't see anything different at this stage.

Your second question on insurance and the indicators, what we're – when we're commenting, of course, we're commenting on the volumes that are flowing through our products. We have a range of products that are addressing different points in the insurance process, be it in the underwriting or in the quoting, through to the claims process, etc., so it is – when we talk about the environment, it's what matters for us and the volumes. And we can measure that very closely by seeing the – what those volumes are. It's a little harder, of course, to identify exactly what's driving that, and we do look to the external indicators and try and rationalise what we see going through our volumes. But, you know, it is often a case of seeking to rationalise it after the event rather than then having any predictive ability from it. So it's just a comment on what the environment is for us and the products that we deliver to our customer.

Chris Collett: Okay, thanks and then just to clarify, I mean, even if it is after the event and you talk – what are some of those external factors that you're talking about? I mean, is it issues like the weather and so forth, or are there other factors that you – or external indicators that you look to after the event?

Nick Luff: Yeah, I mean, weather certainly has an impact in the very short term in terms of, you know, how customers behave and whether they're indoors shopping for car insurance or not. But that does tend to even out over any sort of period of time. So, over a period of time the – it looks like the sort of factors that come into play are, you know, what insurance companies are doing with their pricing; are they moving prices up, are they moving prices down? You know, what is happening in terms of the consumer and how many – whether driving miles are going up or down and what that means for claims behaviour, etc. So, there are all of those sort of factors that come into play and then you see them hitting our – the volumes that are going through our products.

Chris Collett: Great, thank you.

Operator: We will take our next question from Konrad Zomer of ABN Amro. Please go ahead, your line is open.

Konrad Zomer (ABN Amro): Hi, good morning gentlemen.

Nick Luff: Morning.

Konrad Zomer: Two questions, please, the first on Legal. If I remember correctly, Erik mentioned at the start of this year that because of the migration to new platforms, which would take out running double costs, that there was a good change of margin improvement for quite a few years to come. From your earlier comment today about the US migration possibly being finished by the end of this year, does that mean that the opportunity to raise margins might be limited as from next year onwards?

And my second question is, can you remind us of the currency impact, particularly the main – the US dollar, what the relationship is to a sudden decline, for example, versus the euro, both in terms of your debt structure as well as your reported revenues? Thank you.

Nick Luff: Okay, so on Legal, we have, as you say, pointed in the past to the effective double running costs as we transition from the old platform to the new platform. This is quite a long process though and involves many, many systems. And we are in that phase where we are getting the benefit of completing the migration and then being able to turn off the old systems but it will take quite a long time. So I think we've indicated, you know, there's another couple of years of that process remaining and that's certainly what you've seen historically, that we've been able to drive underlying profit growth in Legal well ahead of the revenue growth and that's certainly been helping with that. And that dynamic, you know, is something that we're looking to continue with this – the migration over the next couple of years.

I would just caveat it, though. I think, as everybody knows, against that we do have the Martindale-Hubbell joint venture which has been contributing profits without revenue, which gives a boost to margins of course, because it's joint-venture accounted. And the effect of that is coming down, so you haven't seen all of that differential in profit to revenue growth flowing through to margin. But nonetheless we have been delivering margin increases in Legal over the past couple of years and that remains our objective, to continue to do that.

You also asked about currency; as you know, we are a majority dollar business. Over half our revenues come from the US and even some of our revenues from outside of the US are dollar-denominated. That does mean that if we're reporting in euros or sterling, then the euro-dollar or the sterling-dollar exchange rate has an effect. Clearly sterling fell very sharply a year or – just over a year ago. You saw that very much in the first half figures that we published in July. For the second half of this year, actually, sterling-dollar is actually averaging about the same as it was – so far about the same as it was in the second half of last year, so you'll obviously – in the full-year numbers you'll see the effect of the first half but the second half won't add to that, if you like.

The euro – if you're looking at the euro numbers, the euro is a bit stronger, clearly, and therefore, you know, certainly in terms of whether it's revenue profited or earnings per share, based on exchange rates as they stand today – and I guess there's only two months or so of the year to go – you'll see the euro numbers won't be as strong as the constant-currency numbers. And you know, that will – that's the dynamic you have in a dollar-earning business reporting in euros and sterling.

The debt structure, most of our debt is denominated in dollars and euros, so the – clearly if you see the dollar weakening against the pound on a spot basis – because the balance sheet is spot – then you would see the sterling value of the debt lower and vice versa; the same in the euro-reported numbers. Obviously the euro debt isn't affected but the dollar debt – if the euro is stronger against the dollar, then you would see a lower euro number. But, you know, that's – we think about our debt relative to our cash flow and you know, therefore you don't particularly see a change in the leverage ratios from that because, of course, our cash flow is changing value on currency at the same time as our debt.

Konrad Zomer: Yeah, just a quick follow-up, I understand whether it's positive or negative in terms of the way you report but, given that the euro has gained about 5% in Q3 versus the dollar versus last year, I was hoping you might be able to give us an indicative percentage effect that might have on your reported revenues in euros.

Nick Luff: Well, if you take the fact that our European revenues in the group as a whole are about 25%, of which the UK, which is mostly sterling, of course, is 6% or 7%, then you can work out from that that about 20% – about only 20% of our total revenues, in round numbers, are in euros; the rest are in other currencies, so you can do the maths. You know, 80% of the revenues are not in euros. Obviously lots of currencies are moving all the time but if just the euro moved, you know, the other 80% will change in value.

Konrad Zomer: Sure, okay, thank you.

Operator: As a final reminder, if you would like to ask a question, please press star one on your telephone keypad. Our next question comes from Tom Singlehurst of Citi. Please go ahead, your line is open.

Nick Luff: Hello again Tom.

Tom Singlehurst: Hello, sorry, I had a follow-up and actually you can blame Matt Walker for this because he brought the topic up: it was Equifax and that – the cyberattack there. Obviously, some very specific circumstances but there has been a push from some Democratic senators to overhaul some of the sort of regulations with respect to sort of big databases of personal information, in particular changing sort of the – the proposed changes to the way that individuals can opt out of databases, making it essentially a lot easier, as I understand it. I think in the US you currently have to pay if you want to opt out of a database, whereas that might be changed.

Firstly, do you think there will be any material changes in regulation with respect to consumer data and e-privacy? And is there any particular reason why you wouldn't be affected?

Nick Luff: Well, regulation around data and personal data and use of data and where you can use it, how you have to store it and etc. are changing around the world all the time. And this a very active area for regulators, an important area, and we have been adapting to that for many years and we'll continue to adapt for that. We're quite a big business and used to having to evolve and adapt – I think a good position to do that. We have – you know, in our products we use multiple sources of data. You know, the ability to use one in particular can change due to a number of factors, including regulation but that's something that we're used to having to adapt to. So whilst I do anticipate continued further attention from regulators and laws around data, data security, data privacy, I'm confident we will continue to adapt to that.

Tom Singlehurst: Super, thank you.

Operator: We will take our next question from Ian Whittaker of Liberum. Please go ahead, your line is open.

Ian Whittaker: Sorry, I'm doing the same as Tom and asking a follow-up. It's more sort of, I guess, a longer-term question and it's just really around cars and therefore the impact on insurance. I mean, if you see for example what's happened, Pendragon has had a profit warning over new cars in the UK, and there seems to be sort of a general shift of sort of people moving from buying new cars to effectively leasing them out or sort of diminishing the appetite for actually owning, sort of, cars in the future. When you think about the trend moving forwards, what do you think are the implications for your insurance business in the US?

Nick Luff: Well, I mean, there are many factors that play into the auto insurance business, which – I mean, as you know, that is the biggest part of our US – it's not the only part but it's the biggest part of our insurance business within Risk & Business Analytics. You know, there are changes in people's behaviour around ownership, there is also significantly more data available coming off cars and telematic data, for example. And that's certainly an area that we are focusing on and developing our capabilities and building that into our products. So, you know, our role here is to help our customers price risk around driving, around cars, around drivers, around individuals. And, you know, we will continue to evolve and adapt, based on what data sources are available, what the make-up and nature of car insurance is and how that market is evolving and I think we're quite excited about the ability to bring new data sources to bear in assessing risk. And that's what we do and what we'll continue to do as the market evolves.

Ian Whittaker: Alright, I mean, I guess, you know, if I could summarise that answer, by the sound of it, I mean, it sounds as though sort of you're saying, sort of, it certainly could be something that could pose an issue in terms of the move to rental, but you're confident that actually you could get other revenue streams in the future that would offset that risk.

Nick Luff: Well I mean you're trying to put words into my mouth here, but I – you know, I think I'm just making the point that there are many factors that will affect the auto insurance market in the US. You know, we're – remember, those factors may affect auto insurance markets around the world but, you know, we have low penetration in markets outside of the US today and we're obviously evolving around those business. And you know, in all of our markets, all of the segments we serve there are factors that will affect those businesses. And the – auto insurance in the US represents about 6% or 7% of our total revenue base, so it's important but, you know, there are things affecting all of our end-user markets. And one of the key features of what we try to do and the culture we have is to make sure we're adapting to changes in those end-user markets as we evolve our business.

Ian Whittaker: Perfect, thanks so much Nick.

Nick Luff: Alright, thank you.

Operator: As we have no further questions in the queue, I would like to turn the call back to the speakers for any additional or closing remarks.

Nick Luff: Okay, thank you Alex, thank you everyone for joining us this morning, thank you for your questions and we'll see you again at the full year results in February.

Operator: Thank you. That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.

[END OF TRANSCRIPT]