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Full Year 2019 Relx PLC Earnings Call

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CORPORATE PARTICIPANTS

Anthony John Habgood RELX PLC - Non-Executive Chairman
Erik Engstrom RELX PLC - CEO & Executive Director
Nicholas Lawrence Luff RELX PLC - CFO & Executive Director

CONFERENCE CALL PARTICIPANTS

Adam Ian Berlin UBS Investment Bank, Research Division - Director and Equity Research Analyst
Matthew John Walker Crédit Suisse AG, Research Division - Research Analyst
Nicholas Michael Edward Dempsey Barclays Bank PLC, Research Division - Research Analyst
Patrick Thomas Wellington Morgan Stanley, Research Division - MD and Head of the European Media Equity Research
Rajesh Kumar HSBC, Research Division - Analyst
Silvia Cuneo Deutsche Bank AG, Research Division - Research Analyst
Steven Craig Thomas Liehti Investec Bank plc, Research Division - Former Media Analyst

PRESENTATION

Anthony John Habgood RELX PLC - Non-Executive Chairman

So good morning, everybody, and welcome to our 2019 results presentation. Thank you for coming in. And those of you on our webcast, thank you for joining us.

2019 was another good year for the company with a 4% underlying revenue growth, converting into 7% constant currency EPS growth and 5% sterling revenue growth converting into 10% sterling adjusted earnings per share.

As you know, we are proposing a 9% increase in full year dividend to 45.7p, and we also again had good cash flow conversion at 96%.

We continued in the year to build on our strong ESG performance, and this was again recognized in the high ratings given to us by several external agencies. To cite just 2 of them, we were ranked second in the S&P Global 1200 by CSRHUB for ESG, and we retained our AAA ESG rating with MSCI.

On a more personal note, we also announced this morning that after over 10 years as Chair, I have decided to retire from the board when a successor has been appointed. A comprehensive search process is now underway, led by our Senior Independent Director, Wolfhart Hauser. The group has made great progress over the past decade. It has a strong, established board and management team and is well positioned, both strategically and operationally for the future. I believe that this is the year, both from my own personal perspective and from that of the company in which to make a change of Chair.

I will now hand over to Erik, who with Nick, will take you through the results, strategy and our prospects.

Erik Engstrom RELX PLC - CEO & Executive Director

Thank you, Anthony. Good morning, everybody. Thank you for coming 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 2019 with underlying revenue growth across all 4 business areas. We also continue to make good progress on our strategic and operational priorities with our primary focus on the organic development of increasingly sophisticated analytics and decision tools supported by selective acquisitions of targeted data, analytics and exhibition assets that support our organic growth strategies.

Underlying revenue growth for the year was 4%. Underlying adjusted operating profit growth was 5%. Earnings per share growth at constant currencies was 7%. And we're proposing a full year dividend increase of 9%. All 4 business areas again delivered underlying revenue growth as well as adjusted operating profit margin expansion.

So let's look at the results of each business area. In STM, key business trends remained positive. Underlying revenue growth was 2%, in line with the prior year, with the first half phasing effects unwinding in the second half. Good growth in electronic revenues was again partly offset by continued print declines.



In primary research, we continue to enhance customer value by building out broader content sets, more sophisticated analytics and evolving our technology platforms. The number of article submissions to our subscription journals continued to grow strongly. Our open access publishing program, which now includes over 370 dedicated open access journals, saw its growth rate accelerate further in 2019, as we continued to gain market share. So far this year, the subscription renewal completion rate is in line with recent years.

Databases and tools, which now represent almost 25% of divisional revenues, continue to drive strong growth across market segments through content development and enhanced functionality.

Print book revenues, which now represent just under 10% of divisional revenues, were down in 2019 in a market environment that declined in line with historical trends.

Print pharma promotion revenues continued to decline at a slightly steeper rate than in recent years. Going forward, our customer environment remains largely unchanged from recent years. And we expect another year of modest online revenue growth with underlying operating profit growth exceeding underlying revenue growth.

Risk & Business Analytics continue to grow strongly at 7% with operating profit growth of 8%, in line with the prior year.

In Insurance, we continue to drive growth through the rollout of enhanced analytics, the extension of datasets and expansion in adjacent verticals.

The U.S. market environment for the year as a whole was less supportive than in the prior year, but improved gradually throughout 2019. And that improvement has continued into the first few weeks of 2020.

In Business Services, strong growth was driven by further development of fraud prevention and risk management analytics. The market environment was in line with historical trends for the year as a whole and that has remained the case so far this year.

Data Services drove strong growth in all key verticals. Going forward, the fundamental growth drivers of Risk & Business Analytics remain strong, in line with recent years, and we expect underlying operating profit growth to broadly match underlying revenue growth.

Legal, underlying revenue growth of 2% was in line with the prior year. Underlying profit growth of 8% was ahead of underlying revenue growth with the margin increase reflecting organic process improvements as the platform transition comes to an end. The market environment remained stable in 2019. And we saw continued growth in online revenues, partially offset by further print declines. The completion of the new platform rollout has enabled the continued release of broader datasets and further rollout of our market-leading legal analytics. Going forward, trends in our major customer markets remain largely unchanged. And we expect another year of modest underlying revenue growth and continued good underlying operating profit growth.

Exhibitions' underlying revenue growth was 6%, in line with the prior year. The decline in underlying operating profit reflects cycling-out effects and the margin increase of 40 basis points reflects portfolio and integration benefits. We continued to pursue organic growth opportunities, launching 50 new events and piloting and rolling out further data and analytics initiatives. Market conditions were good in Europe and the U.S. and remains strong in China. The Previously communicated negative impact of venue constraints associated with the Tokyo Olympics was offset by higher growth elsewhere in 2019. In 2020, these constraints could negatively impact the overall divisional growth by 1 or 2 percentage points before new and expanded capacity comes on stream at the end of the year.

The extent to which the novel coronavirus outbreak will impact our business in China and other regions remains uncertain at this time. Going forward, temporary venue constraints and the impact of the coronavirus aside, we expect underlying revenue growth trends to continue in line with the prior year.

Our strategic direction remains unchanged. Our #1 strategic priority is the organic development of increasingly sophisticated information-based analytics and decision tools that deliver and adds value to our customers. We do this by leveraging a deep understanding of our customers to create innovative products, which combine content and data with analytics and technology in global



platforms. In doing so, we help our customers make better decisions, achieve better outcomes and increase their productivity. We believe that through the execution of this strategy, we'll continue to deliver higher value to our customers and improve the quality of our earnings.

We also continue to reshape our portfolio through selective acquisitions of targeted data analytics and exhibition assets that support our organic growth strategies. In 2019, we completed 14 acquisitions for a total consideration of GBP 416 million, the largest of which was Mack Brooks, a leading organizer of complementary events. Since the year-end, we have completed the acquisition of ID Analytics, a provider of fraud risk solutions and agreed to acquire Emailage, a provider of e-mail-based fraud prevention solutions. These 2 acquisitions add powerful new contributory datasets and analytics capabilities to our existing fraud prevention services, significantly strengthening our customer value proposition.

Corporate responsibility has been a priority at RELX for many years, and we have long recognized that it is critical to the company's long-term success.

On the left of this slide, are some of the things that we believe all companies should do as a matter of course. Many of these factors are tracked and measured by external agencies. And as you can see here, we usually rank very highly on these traditional ESG measures. We monitor our performance closely on these factors. And Nick will share some of our data with you in a few minutes.

As an organization, however, we're even more focused on the unique contributions that we can make through our knowledge, resources and skills that will have a positive impact on society. Some examples of these are on the right side of this slide and relate to our core capabilities in science and health, protection of society and rule of law. We plan to share more information on many of these initiatives later in the year.

I will 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 Lawrence Luff RELX PLC - CFO & Executive Director

Thank you, Erik. Good morning, everyone. Let me start by providing more detail on the financial highlights. As Erik said, underlying revenue growth of 4% was maintained in 2019. Growth in underlying adjusted operating profit was ahead of revenue growth at 5%, driving a margin improvement of 30 basis points. Growth in earnings per share at constant currencies was 7%, ahead of profit growth, primarily reflecting the impact of the share buyback program. Cash conversion was strong at 96%. Leverage at the year-end was 2.5x including leases and pensions, slightly higher than the prior year. Our full year dividend is up 9%. Share buybacks for 2019 totaled GBP 600 million.

All 4 business areas contributed to the overall revenue performance with Risk & Business Analytics and Exhibitions again delivering strong underlying growth, while STM and Legal were in line with the prior year.

Portfolio effects were a drag on overall revenue growth as acquisitions, most notably, Mack Brooks in Exhibitions and Knowable in Legal, were offset by the impact of disposals made in both 2018 and 2019 including print magazines sold by RBA and some software businesses sold by Legal.

Cycling reduced Exhibitions revenue growth by 6 percentage points. The pound was weaker on average against the dollar during 2019. As a result, currency movements increased sterling reported revenues in all 4 business areas by between 2% and 4%.

Growth in underlying adjusted operating profit of 5% was driven by strong performances from RBA and from Legal. STM and RBA had underlying profit growth slightly ahead of revenue growth. Legal's underlying profit growth was aided by continued efficiency gains and ongoing process improvements as the new Lexis platform transition comes to an end. Exhibitions' underlying product decline of 1%, primarily reflects the negative impact of cycling-out effects.

Portfolio effects were a drag on profits for RBA and for Legal. Acquisitions, most significantly Mack Brooks, of course, boosted

Exhibitions' profit.

In sterling, currency was a positive for each business by between 2% and 5%.

Turning to margins. STM and RBA saw small increases. Legal's margin was up 20 basis points, now reaching 20%. Exhibitions saw an increase in margins, reflecting portfolio changes.

At the group level, the adjusted operating profit margin was 31.6%, 30 basis points higher than in the prior year. That's made up of a 60 basis point underlying improvement, offset by 30 basis points of drag from acquisitions and disposals, while currency effects were net neutral.

Turning to the group level income statement. The underlying revenue growth of 4% reflects good growth in electronic and face-to-face revenues, partly offset by continued print revenue declines. Exhibitions' cycling effects and portfolio changes reduced revenue growth by around 1% each, giving constant currency revenue growth of 2%.

Sterling being weaker on average against the dollar year-on-year, boosted sterling reported revenue, leaving overall revenue growth at 5%.

Adjusted operating profit increased by 5% on an underlying basis. After portfolio effects, constant currency profit growth was 3%. Currency lifted this to 6% in sterling.

The adjusted net interest charge was GBP 291 million with the increase due to a one-off charge of GBP 99 million for the early redemption of bonds that were scheduled to mature in October 2022, partially offset by lower average interest rates on other borrowings.

Excluding the charge for the bond redemption, the effective interest rate on gross debt was 2.9%, 30 basis points lower than the prior year, reflecting the benefit of refinancing historical bonds that had higher rates of interest. The early redemption of the 2022 bonds eliminates the last of our high coupon debt that was issued in the period after the 2008 financial crisis.

The adjusted tax charge was GBP 388 million and includes a one-off credit of GBP 89 million from the substantial resolution of certain historical tax issues, giving an effective tax rate of 17.6%. Excluding this item, the adjusted effective tax rate would have been 21.7%, in line with the prior year.

Adjusted net profit of GBP 1.8 billion was 5% up at constant currency. Reported net profit, including acquired intangible amortization and disposal gains, was GBP 1.5 billion.

The ongoing share buyback program resulted in the average share count reducing by just under 2%, which meant we converted the 5% constant currency adjusted net profit growth to 7% constant currency earnings per share growth.

The year-on-year weakness of the pound meant net adjusted earnings per share in sterling was up 10% to 93p. Reported earnings per share were up 8%.

Invested capital increased due to the acquisition spend and currency movements. However, the higher profit and lower tax rate more than offset that, taking return on invested capital up to 13.6%. If you apply a tax rate of 21.7%, excluding the one-off tax credit I mentioned earlier, the return on invested capital will be 13.0%.

Turning to cash flow, CapEx was GBP 380 million, equivalent to 5% of revenue, in line with the previous year. Cash flow conversion was again strong at 96%. Cash interest paid was GBP 171 million with the difference between that and the adjusted interest expense, reflecting the charge for the early redemption of the 2022 bonds, for which there was no cash outflow in 2019.



Cash taxes increased and were higher than the P&L tax charges. The historic settlement credit I referred to earlier was noncash, and tax relief for the bond redemption charge will come in 2020. Total free cash flow was GBP 1.7 billion, up 7%.

And here's how we used that free cash flow. Spending on acquisitions was GBP 416 million including Mack Brooks and Knowable, while disposals generated GBP 63 million of proceeds. Total dividend payments were GBP 842 million, and the share buyback was GBP 600 million. From year-end to year-end, sterling was stronger against the dollar, reducing net debt at year-end, expressed in sterling, by GBP 271 million, so the overall net debt was almost unchanged year-on-year.

Leverage, which we calculate in U.S. dollars, was 2.5x, including leases and pensions or 2.2x when you exclude them. Leverage was slightly higher than the prior year, reflecting currency movements and a slightly higher pension deficit.

Here, we set out our priorities for use of cash. Organic development remains our #1 priority, but acquisition spend is the most significant variable. In 2019, our GBP 416 million acquisition spend was almost exactly in line with our 5-year average. We continue to target leverage in or around the 2.1 to 2.5x range that we've been in which gives us capacity for ongoing share buybacks. Normally, we adjust the buyback to reflect acquisition spend in the prior year. For 2020, we are starting the year at the upper end of our leverage range and have already announced, what for us, are 2 larger acquisitions in ID Analytics and Emailage. Consequently, we have reduced the buyback for this year to GBP 400 million with GBP 100 million of this having already been deployed.

Erik talked about some of our corporate responsibility efforts earlier and highlighted some of the external recognition we've received. We track our ESG performance very closely. And I would now like to look at some of the ways in which we do that. Starting with people, RELX employes over 33,000, and the workforce is split evenly between men and women. In 2019, the number of women in senior operational management roles increased to represent 1/3 of the total. Our employees are engaged in their local communities with 45% of employees volunteering some of their time during the course of the year, contributing over 12,000 working days to their chosen causes. Our commitment to social responsibility extends to the supply chain. And we have established a rigorous supplier code of conduct with over 90% of our suppliers now signed up.

On the environment, total energy consumption across the group has declined for a number of years and fell 9% in 2019. At the same time, we've increased the proportion of electricity coming from renewable sources, up from 50% in 2015 to 96% last year. Total CO2 emissions have declined as energy consumption has fallen and were down 8% year-on-year.

Going back to the financials, there are a few points to make regarding modeling for this year. Firstly, the acquisitions we made in 2019, mostly significant Mack Brooks in February and Knowable in August. These become part of underlying growth from the anniversary of the acquisition. ThreatMetrix acquired in February 2018 was in underlying for most of 2019 and will be in for the full year this year. ID Analytics and Emailage will not come into underlying until 2021.

Secondly, we have continued to make disposals of assets that don't align with our strategy. RBA has now sold almost all its print magazines including Flightglobal in aviation, saw a pathway through 2019 and Farmers Weekly in agriculture, which was sold last month. We will also see the full year effect this year from the software asset sales made by Legal in 2019.

Exchange rates were largely consistent between H1 and H2 last year, but at current spot rates, sterling is almost unchanged against the dollar and slightly stronger against the euro, which will result in a slight drag on sterling reported earnings were FX rates to stay at their current levels.

Finally, a reminder that Reed Exhibitions is facing venue constraints in its Japanese business associated with the Tokyo Olympics. Although the Olympics take place in July and August, the venue constraints will impact our growth rates, mainly in the first half when we will be comparing with H1 2019, a period in which most of the venue was open for most of the time.

2020 is a cycling-in year for biannual events in Exhibitions, and we expect this to increase reported revenue growth by around 5 percentage points, albeit this will be second half weighted. As Erik said, at this stage, any impact of the coronavirus is unclear. So far, we've postponed a small number of shows, which have been rescheduled to take place later in the year, mainly in the second half. We

will update you as necessary as the situation develops.

With that, I will hand you back to Erik.

Erik Engstrom RELX PLC - CEO & Executive Director

Thank you, Nick. Just to summarize what we have covered this morning. During 2019, our positive financial performance continued and we made further strategic and operational progress. Going forward, key business trends in the early part of 2020 are consistent with recent years, and we remain confident that by continuing to execute on our strategy, we will deliver another year of underlying growth in revenue and in adjusted operating profit, together with growth in adjusted earnings per share on a constant currency basis.

And with that, we're ready to go to questions. We start over here, because I don't want to go down the line here. Sorry.

QUESTIONS AND ANSWERS

Nicholas Michael Edward Dempsey Barclays Bank PLC, Research Division - Research Analyst

Yes. It's Nick Dempsey from Barclays. I've got 2, please. Perhaps you could give us your thinking on the Office of Science and Technology Policy possible rumored executive order regarding embargo periods on U.S. funded research in terms of the potential size of the impact and how it might in practice work?

And second question, you talk there, Nick, about some of the print businesses now not being many left. Can we expect going forward to have less of a drag on reported revenue growth from disposals because you're running out of things that you don't want to own or that don't fit with the group, as I think you described? Because last couple of years, you spent a lot more than you got in from in terms of acquisitions versus disposals, and we've seen a drag on reported growth both years.

Erik Engstrom RELX PLC - CEO & Executive Director

Okay. I'm going to hand the second one to Nick, of course. But the first one here. Over the last 15 to 20 years or so, we've actually seen many different announcements about policy changes or potential policy changes from different government funding agencies or other funding agencies around the world. And as is usual with all of those is I don't comment specifically on any one of them individually. But we always welcome the opportunity to engage either directly with these agencies or through our industry associations and make sure that we understand even better what the objectives are with each policy change and look for the opportunity for us to work with them, to help them achieve those objectives. And as before, I think we're always very well positioned to do this as an organization because we're a broad-based provider of science and health research services in this industry. And for each one of those products and service sets, we have a strategy to position ourselves as a provider of higher-quality products and services than other major providers and to do that at a lower effective price to our customers than other major providers. And if we continue to pursue that avenue, I believe that we can continue to work with all these different funding agencies and help them reach those objectives in a way that's economically attractive to them. Nick?

Nicholas Lawrence Luff RELX PLC - CFO & Executive Director

Yes. I mean on the disposals drag and print, et cetera, I mean, you're right, we are now down to just 9% of the revenues coming from print overall. And a big chunk of that, of course, is simply format choice from the customer where we're offering a product, which they can take in electronic form, but some customers still prefer printed format, and that clearly just continues to transition and -- but isn't a separate business that you could sell. Having said that, there will always be things that don't fit our strategy that we're trying to pursue overall, and we'll want to improve the quality of the overall business by moving out of things. So I wouldn't rule out further disposals, but we've done a large part, if you like, in terms of the overall shape. And of course, this year, we already know that when we -- what we've done, what for us are 2 larger acquisitions, so there will be some -- certainly for revenue -- in revenue terms and some boost from that outside of underlying, which obviously offsets anything -- any drag on the disposal side.

Adam Ian Berlin UBS Investment Bank, Research Division - Director and Equity Research Analyst

It's Adam Berlin from UBS. Just 2 questions from me. The first question on Exhibitions and the coronavirus. Can you talk a little bit about what happens when you have to postpone an event? How easy is that to do? Is there capacity available at venues to do that? And when



you do, do that, how much of the revenue of the event would you be able to retain? That's the first question.

And the second question, just to follow up quickly on what you just said, Nick. Are you just saying that there's going to be -- you'd expect a neutral impact from M&A in 2020?

Erik Engstrom RELX PLC - CEO & Executive Director

Okay. Well, I'm going to Nick -- let Nick tell -- sort of go through the how that works in Exhibitions as well as the M&A. But I just want to say this first that while the situation is very uncertain and continues to evolve, from our perspective, the first priority is always going to be the health and well-being of our customers and our employees. Once we are comfortable with that, we will focus on how do we continue to provide our customers with the value that they expect to get from these exhibitions and that they rely on in their business. And then all these questions come in that you were asking about that I'll let Nick get into.

Nicholas Lawrence Luff RELX PLC - CFO & Executive Director

Yes, Adam, clearly, when you have to postpone a show, you can reschedule it, you must change the location of it. I mean, we do, do that. That has happened a number of times. We have to do that. We have announced a number of rescheduling of shows already in China, and we've got new dates for those. So we've got the venue capacity to do that. So clearly, it would all depend on exactly how long and to what extent you're having to move things around. But so far, we've been able to find the capacity to reschedule the shows that we have had to move. And as for any impact on revenue, again, it will depend. I mean if you're talking about shows that are largely domestic shows that which a lot of our business is, of course -- is just -- it's local to local, then that would tend not to be impacted by this sort of thing that could affect international travel, but there are other shows that would be more impacted, but again, it will very much depend on how long exactly, where and exactly what the dynamic is. So it's just too early to give any indication.

On your second question on M&A, we've been neutral -- we're only in February. So I don't know what other acquisitions may -- we may do, what are the disposals we may do. So -- but I'm clearly indicating to you that on the acquisition side this year because of the 2 deals we've done quite early in the year, which won't be an underlying, and therefore, their revenue will come into the numbers. So that will certainly offset whatever disposals there will be.

Erik Engstrom RELX PLC - CEO & Executive Director

Okay. Let's continue down over here.

Rajesh Kumar HSBC, Research Division - Analyst

Rajesh Kumar from HSBC. Just in terms of the acquisitions you've done in the fraud and identity space. Could you flesh out your strategic and financial rationale behind it? And then what sort of time horizons you're looking for returns accretion when you're looking at potential targets? And what sort of -- what is the space within fraud and identity, which you're more excited about when you're looking at acquisition targets or where you would direct capital for growth?

Erik Engstrom RELX PLC - CEO & Executive Director

Okay. Yes, I'll cover the broader strategic thing, and I'll hand over to Nick to talk about the scaling and returns and other things. The way we think of the fraud preventions or risk assessment segment is that we have historically been a leader in the identity and fraud around individual's identity and individual's behavior and predicting risk around individuals. We had then had a partnership or an agreement with ThreatMetrix. And we saw that they had significant value-add in terms of digital identity or device identity and all the contributory databases and analytical algorithms around that. And we saw that we were the natural owner of this because when we talk to our customers, you could see that. After that acquisition, then we looked at the other portions of digital identity and digital footprint -- digital risk and what Emailage has is centered around e-mail identities, several contributory datasets, different analytical algorithm on top of that, that relate to device is another part. We have also had an agreement and a partnership with them. So we know exactly how those datasets interact with the other ones that we have. And it was obvious to us that when we looked at it, we were the natural owner of this, obvious to them, obvious to us. So therefore, we could model and see the uplift and why we pursued that strategically. And our strategic theme here is to offer comprehensive risk assessment, risk prediction and fraud prevention tools in the whole comprehensive area of digital identity and digital behavior, just like we, in the past, started with physical biological identity many, many, many years ago, decades ago, right? So this is a natural evolution for us as the world has developed, and we're looking to put together that suite and

we've gone pretty far so far. And I think people recognize us a clear leader there.

ID Analytics, slightly different. It's very -- it's similar in terms of risk prediction, but it's in a segment that we're very familiar with, and we could run on the data and look at the actual value and the uplift. And again, we were the natural owner and the obvious buyer. Nick?

Nicholas Lawrence Luff RELX PLC - CFO & Executive Director

Yes. I mean on the returns question, obviously, we're typically buying quite early-stage businesses. And as Erik says, ones we're the natural owner of, but therefore, there's quite significant synergies often associated with them. That typically has been relatively low returns when you first buy them, but then coming up rapidly. So we're generally looking to get up to our cost of capital on these acquisitions within 3 or 4 years and then into double digits as you -- in terms of returns, and once you get sort of 5 years plus. But it does vary. I mean if you take something like Emailage, which is a very fast growing, but earlier stage, lower return, that might take a little longer, but ultimately it will be bigger business relative to what you paid for it, whereas ID Analytics is a longer established and its growth rate more in line with our other offerings. And so you probably get that earlier on the returns. But that's the sort of dynamic that you see.

Erik Engstrom RELX PLC - CEO & Executive Director

Okay. Let's come over here.

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

It's Patrick Wellington, Morgan Stanley. A couple of questions about the STM business. I think this is a meat loaf question. I mean you seem to be doing publish and read deals now. So can -- you've got a new CEO at the STM business. So can you say how the -- what appears to be an evolution in your approach, is there actually one going on? And what form does that take?

The second one is, do you think that there's a bit of a boost to your revenues this year? Because you obviously had a number of customer deals. I know you won't discuss them individually, but you had a number of customer deals, which weren't in place in '19, which will be in place in 2020, Bibsam units, the EISZ in Hungary, that sort of thing.

And then thirdly, you talked about strong article submission. Can you give us an idea of the growth rates in article submissions and articles published? You seem to be growing your published articles faster than normal, is my impression.

Erik Engstrom RELX PLC - CEO & Executive Director

Okay. Yes, I'll handle both of these here. First, on broadly how we deal with our customers. I've said this before, but we are a service provider, and we offer in the research segment side and health research. We offer broad range of products and services. We offer all the way from archived services and sort of social science, sort of network and interaction to individual articles to subscription. We offer all different kinds of open access author pays individually or in comprehensive packages. The way we look at it is that we are always interested in engaging with any one of our customers individually or in groups to look at all the different products and services that they would like to buy from us. And the way we engage with them is to figure out what they want and how they want to achieve their objectives. We then make sure that all the products and services that they get from us should be positioned as higher quality than other major providers at a lower effective price to them than other major providers. And then we're willing to sell that to them in any way that they would like to buy them. What we don't want to do is to try to decide what they should call the combination of product and services that they want to buy from us. That's not our decision.

In terms of the new CEO, she started about a year ago, as you know, almost exactly a year ago now. And she has not changed the strategic direction of Elsevier, but she has brought, as, I think, I predicted a year ago, a new level of energy, excitement and engagement to all the different customer groups as well as to our different product sets. And I think it's not a surprise to us that you would have seen in the past 12 months, an acceleration in the outcome of those engagements. And I hope that we'll continue to see even further acceleration of those engagements going forward. She's only 1 year into her role.

You said a couple of other things. Number of deals coming in and out in the different times. Yes, I know that many of you try to track the individual customers that come in or out and which time of year. I would just like to again repeat that we have over 12,000 institutional



customers around the world. And every year, there are different cycles going on at different parts of the world. There are customers coming in or out of specific size of deals or specific subscription volumes and different product sets and volumes go up and down. So it's actually relatively hard from the outside to try to put it all together. But if I look at where we are today, I said that as of this time in February 2020, the renewal completion rate at this point of the year is similar to what we had over the last few years. And had -- and that where we are in terms of renewals, in terms of negotiations and so on is in a similar place to where we've been over the last few years.

The article submissions. Number of article submissions to our subscription journals has continued to grow strongly. Over the last several years, it probably has averaged in the high single digits most of the time. Sometimes it goes a little higher, a little lower. And again, there are fluctuations. But it has continued in that direction. The number of articles we publish in subscription journals grown a little more higher than the market, and that's intentionally. So if the market has probably grown in the low single digits, and we have properly, on average, growth of point or 2 higher than the market on average over the last several years, and that continues.

If you take those 2 numbers, it's pretty obvious to all of us that, that means that rejection rate continues to increase. So if you look at that in total, last year, I think the total number of article submissions to us as a total entity was almost exactly 2 million articles and the number of articles we published as a whole was almost exactly 0.5 million articles. It means as a company as a whole, our rejection rate was basically 75% now and continue to increase.

The other part of what we publish is, of course, sort of this -- the -- what we call the dedicated author pays, open access journals as well as the sponsored articles in the -- in subscription journals, the sort of open access articles. They continue to grow for us. Submissions continued to grow and accelerated the growth rate in submissions during the year. And our actual growth in number of articles published, which you can find in public data, but it has also continued to grow at an accelerated rate for us. There, I think the growth rate is probably at least double the growth rate that we can find from the market as a whole in that segment. So I think that answers your questions about article growth. So over here then.

Silvia Cuneo Deutsche Bank AG, Research Division - Research Analyst

It's Silvia Cuneo from Deutsche Bank. Just 2 follow-up questions. First, on the risk segment. Can you give us a sense of the marginal benefits the 2 new acquisitions we have to organic growth in 2021?

And then second, just going back to the potential coronavirus impact. I appreciate your exposure to Exhibitions in China is small, but in light of the Mobile World Congress being canceled should we be worried about some large shows with international exhibitors being canceled in the future?

Erik Engstrom RELX PLC - CEO & Executive Director

Okay. I'm going to hand both of those over to Nick, actually.

Nicholas Lawrence Luff RELX PLC - CFO & Executive Director

Yes. So on the Emailage and ID Analytics, I think you've got a sense of the scale of those. And I think between the 2 of them, they're actually about the same scale as ThreatMetrix in terms of the revenue contribution. They're obviously between the 2 of them averaging faster growth than the division as a whole. So there will be a boost to underlying revenue growth in 2021. And but it's -- these -- they're not huge, or even, this is now a GBP 2.5 billion revenue division. So it's not -- they're not enormous. So it will help, but within the normal variations.

In terms of Exhibitions, look, it's clearly too early to say what will happen as the coronavirus evolves. I would just emphasize that a lot of our business is local to local. Most of our exhibitors are from the country, in which they're exhibiting, and even more so as far as the attendees to the exhibitions are concerned. Clearly, we do have some more international shows. So some of them are broader and have -- involve more people traveling. So if there was an impact on travel more generally rather than just being something specific in one region, that clearly could have an impact. You've seen we have already rescheduled some shows, and if that may be necessary in other places, we'll have to see, but it's too early to say.



Erik Engstrom *RELX PLC - CEO & Executive Director*

Okay. Okay. Over here, let's go in the front. Okay.

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

It's Steve Liechti from Numis. Just on the new CEO and more energy and slightly different approach, well, not different approach, but more energy. In terms of looking forward, do you think that you would suggest to clients that you could -- well, not suggest the clients, you would think about reducing your margin to try and increase the revenue growth in that division, I give more for less, just to keep that going? That's the first question.

And then secondly, just back to Exhibitions, sorry, but can you just give us some harder numbers on or scope out China shows more precisely given what's going on? And then also on the international shows, again, can you give us any hard number to say how many of your shows are international shows that we should think about?

Erik Engstrom *RELX PLC - CEO & Executive Director*

Okay. I'm going to give the second one to Nick again. I just want to make sure I understand the first question here. But the way I understand your question is, that -- well, it's basically about margin. The way we see it is, we don't actually try to manage our margins in any one of our businesses. It's not how we think about it. We think about #1 priority, value-add to our customers. And in STM, when you're talking specifically now, again, I think we're back to the sort of slightly over 40% of Elsevier. That is the academic subscription market, right? That seems to be where we're focusing. That is -- that's where we focus on higher quality to the customer than other major providers of similar services and lower effective price to the customer compared to other major providers. That, to me, we believe, is the value proposition with our customers. And if we do that in all different service or product groups, product segments where we compete, we believe that we will be able to compete effectively and off -- with our competitors towards those customers regardless of which volume grows faster or less fast over a period of time, just like we have for many years now. The way we look at costs is that costs are managed to a very large extent completely separately from revenues. And we run our cost base based on very large technology platform, what we consider in our industry as world-leading technologies and scale that cuts across beyond STM into our other division in terms of technology tools, software tools, analytical tools. And we work very, very seriously on process innovation all the time. So we, therefore, try to manage our cost growth relative to the revenue growth. That's the way we think about it. We have value to customer growth that should be ahead of other providers and price that should be below other providers on an effective basis. And then we should manage our cost base to continue to have significantly more sophisticated technology and platforms at a significantly lower cost and at a cost evolution that should be favorable as well. The margin will be the outcome of that, is the way we think about it. But we focus on value to customer, revenue growth. And if we then focus on managing the cost the way we do and have continued to do for many years, we believe that the profit growth that we would look at as a company would be significant and enough to continue to run the company well and provide decent returns. What the actual technical reported margin is, it's actually not something that we focus on much. As you might have seen in our financial presentations, we focus on revenue growth, cost growth, profit growth, cash flow. The actual margin can go up or down in units when we sell businesses, when we buy businesses, make portfolio changes and so on. So we're not really focused on the margin itself. It's an outcome. Okay. So we have a question here.

Nicholas Lawrence Luff *RELX PLC - CFO & Executive Director*

Your question on -- all right, the -- you wanted some more color on the next question. I mean let me help you with some stats. I mean I think the geographic breakdown of the Exhibitions business, which we publish, I think you all know, 40% is Europe, 20% U.S. or North America and the other 40% rest of world. If you break that down, we said the China shows just over 5% of the total division. If you take the rest of Asia, excluding Japan, I mean, Japan is more of a domestic business. But if you took the rest of Asia Pacific ex Japan, that's another similar scale, so just over 5%. It'll give you a feel of the scale of the business in that region. And if you -- the -- on some stats around the -- how international is the business around the world, well, if you take that portfolio as a whole, just under 75% of it -- of the exhibitors are -- you measure by -- weight by revenue, are domestic in the country that where the exhibition is, and the attendees more so because, of course, what you -- the dynamic is often international companies bringing their -- whatever they're trying to sell to the local market. So the attendees will be typically higher than that in terms of the proportion. I hope that helps you give you a sense of the scaling and the dynamic.

Matthew John Walker *Crédit Suisse AG, Research Division - Research Analyst*

It's Matthew Walker from Crédit Suisse. Three questions, please. The first one is on decision tools. We've been hearing about decision tools for a number of years and how they're going to help raise the growth rate of the group. We haven't heard many things about specific examples. So could you give me a couple of examples of decision tools that have been invented organically in the last couple of years that have got decent revenue behind them?

The second question is on return on invested capital. It seems to have -- excluding the tax rate, it seems to have started to take a slight step back on ROI, it's has gone down from 13.2% to 13%. Is that a function of the bigger deals that you're doing now? And can we expect to see that trend continue going forward because you're making larger deals in the risk area?

And then final question is on science. You mentioned that the renewal rate was similar to previous years, I think, for journals. Is that in absolute numbers in terms of customers? Or is the renewal rate that you're talking about consistent in terms of revenue or both?

Erik Engstrom *RELX PLC - CEO & Executive Director*

Okay. Well, I'm going to let Nick take the middle one. Let me take the last one first. It's very easy. The way we count our renewal completion rate is -- at this time of the year, of course, is early in the year, the way we count it is based on percent of revenue. That's how we look at it internally. We can also look at it in many other ways, but the way we focus on as a percent of revenue completed.

Decision tools. We have an enormous amount of different decision tools. And I would argue that well over 50% of our revenue, maybe as much as 75% of our revenue in the risk division are decision tools. And I would argue again that 90% of those have been organically developed. And if you go into the office of one of the segment heads in risk, the product head there and you ask how many must complete projects are you working on this week on different tuning and adjustment and roll out of different decision tools. He typically says roughly 100. So that's how we think about them, that they're not -- this is not 3 products that are going to represent this. This is hundreds of different algorithm changes that are decision tools. And in risk, I mean, there are so many, I don't know how -- where I'd even start. We show you in the back of this, the annual growth rate for risk and the contributions from products that had been launched in the previous 5 years to the growth rate. And as you can see, that, that did not fall in the last 12 months. It continued and the market impact was what fluctuated. So if you look at what's the revenue impact of our new decision tools, you could argue that things we have rolled out in risk in less than 5 years sits in that chart, and that's the main driver of growth. So there are so many, I don't know where to start and the same thing but at a much smaller scale are inside the Legal analytics segment with Legal decision tools, which I think we'll have to go through with some illustrations and examples of what they do, perhaps we'll -- that's how we will use some of our future investor seminars to make sure that we understand what the products are, because it's not one brand name 20% of the revenue, it's hundreds.

Okay. Well, on that note, I think we're finished. Sorry, keep rolling.

Nicholas Lawrence Luff *RELX PLC - CFO & Executive Director*

So I want to do the ROIC question. The -- I mean you're quite right, Matthew, on the dynamics of the ROIC for 2019. And typically, if you're getting a 5% growth in adjusted operating profit, this organic capital tends to be reasonably flat because we're obviously spending consistently, but also we've got amortization going on. So that would typically boost the ROIC by 50 basis points. And then it's a question of what drags it down again, which is the acquisition spend, so we talked about the dynamics in terms of the early returns in 2019. Of course, we had the 60 basis point boost from the lower tax rate, which we would sort of strip out on an ongoing basis. But in terms of the acquisition spend, clearly -- and how that plays into ROIC, clearly, that varies from year-to-year, but we have not changed the approach or strategy. If you look back over the last 3 or 4 years, 2017 was a low year for acquisition spend; 2018, a higher year because of ThreatMetrix; 2019 was bang on the average; 2020, we know will be higher because of the 2 deals we've done, but I don't -- there's no pattern. There's no change in approach or strategy. So what happens in any 1 year will clearly could vary, but that dynamic of ROIC underlying improvement offset by drag from depending on how much you spent on acquisitions is likely to continue. And it just depends on the balance between the 2 each year whether ROIC edges up or edges down.

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

Apologies for second go. So it's Patrick Wellington again. You observed that chart about risk on Page 36, then, Erik. And one sees that the market contributor to risk growth is the lowest in any period on your chart, which goes back some years. So someone -- if a client would say to me and an investor would say to me, so what's the major dynamic beneath that lower market growth contributor? What would I tell them?

Erik Engstrom RELX PLC - CEO & Executive Director

No, it's very clear. It's that the long-term variable cycles that we have in the different subsegments of risk coincided a bit during 2019 in the -- at the beginning of the year. We had the low point on the slow-moving market dynamic cycle in Insurance, which is the largest segment, go through the first half and at the same time, at the beginning of the first half, we had a bit of variable portion in the Business Services sector. That stabilized relatively quickly and was strong for the rest of the year. The Insurance part, which is the largest subsegment, the largest market contributor after hitting a low point in the beginning of the year and during the first half, it then improved gradually throughout the year. That improvement was perhaps slightly more gradual than some of us would have wished for, but it continued to improve gradually throughout the year and continued to improve throughout January and into February and where the market environment is today, is significantly ahead there for where it was a year ago and a step-up from where we were in December. Right? So there was the question of the basically 2 different cycles, the slow-moving cycle Insurance that is -- that we don't know how to predict several months out, but tends to move slowly over the months, over years and months. And the sort of early part of the year that was a little variable on the Business Services. They coincided. That's why.

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

And should we look at the -- as the Insurance business is undergrowing the division and is being a bit of a legacy business. If you look at your acquisitions, they're away from the Insurance business. You're developing a broader business arguably. Is -- do you become then a bit of a legacy...

Erik Engstrom RELX PLC - CEO & Executive Director

Well, I don't think about it as an Insurance business that performs that way because we have, in each one of our submarket segments, which is really where we manage our business on a daily basis and not in these big blocks that we summarized to you, but it's managed and make perhaps 100 subunits market segments. And inside Insurance, we have specific subsegments that are growing very fast where we're launching new specific decision tools that are growing fast, whether those are specifics or a driver signature tools that are growing or different set of life insurance type of modeling that are introduced, and they're coming in and they're growing very quickly, and they're in their first 5 years. But at the same time, you have a larger part of Insurance that is based on volumes in the market of our refinement and slight addition to traditional tools, which means that the volume of the -- sort of the market volume and transaction volume, the number of people shopping, number of people switching and which -- in which state the shopping behavior is higher or switching behavior is higher because different states have different revenue profile. So the pattern of states, the pattern of price differentials between Insurance carry in the core U.S. auto business is still a relatively large part of that subsegment. So it can fluctuate a bit on and off during the years. But if you look at it over a period of time, we looked at this. I haven't done the full multi-year addition right now, but we do it a couple of times a year. And when we look at multiyear addition throughout the cycles, and we look at over 2- to 3-year cycles, the different subsegments of risk, last time I looked, basically had a 3-year average growth rate that was almost identical between the main different subsegments. So historically, there's no such big distinction over a period of time. You could argue that if these dynamic continue over time that you have all these exciting new segments with more introduction of newer decision tools that we talked about. That if Insurance doesn't have its own share of those, the other areas might grow slightly faster, but I don't think there are material differences in our past other than fluctuations. And there might be some in the future, but not obvious that they're material.

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

Finally, Erik, I mean you and the Chairman, both arrived at RELX in about 2008/'09 financial crisis. Obviously, he is a very senior conservative guy, and he's off. So are you going to go mad once he's away and start buying things and changing the nature of RELX? Or are we looking at continuity?

Erik Engstrom RELX PLC - CEO & Executive Director

I think, yes, I started at RELX actually as Reed, Elsevier calling, 2004, so I had been here a few years, even before the Chairman, but I stepped into this role just after Chairman arrived. And I have to say that I think our Chairman has been an incredibly valuable contributor to the company for the last decade, and I know he will continue to contribute until the last day he's in the company, and we will miss him whenever it is he leaves. But for now, I know he's as fully engaged as he's ever been. And I know he'll continue to do that. After that, I think, a -- after a decade of direct personal training, I hope I will have learned enough not to go in a completely different strategic direction when he leaves. Thank you for coming.

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