

RELX

Half Year Results | Audio Webcast

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Transcript



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Moderator: Hello and welcome to the RELX Half-Year Results webcast. There will be a presentation from management followed by Q&A. Any analysts wishing to ask a question should dial into the conference call and press *1.

I would now like to hand over to CEO Erik Engstrom, to begin. Please go ahead.

Erik Engstrom: Good morning, everybody. Thank you for taking the time to join us today.

As you may have seen from our press release this morning, we delivered strong financial results in the first half and we made further strategic and operational progress. Our improving long-term growth trajectory continues to be driven by the ongoing shift in business mix towards higher growth analytics and decision tools that deliver enhanced value to our customers across market segments. Underlying revenue growth was 8%. Underlying adjusted operating profit growth was 16%. Adjusted earnings per share growth was 14% at constant currencies. And we have announced an increase in the pound Sterling interim dividend of 8%.

All four business areas grew well, with underlying adjusted operating profit growth in line with or ahead of underlying revenue growth. Let's look at the results for each business area.

In Risk, strong fundamentals continue to drive underlying growth. Underlying revenue growth was 8%, with underlying adjusted operating profit growth slightly ahead of underlying revenue growth.

In Business Services, which represents around 45% of divisional revenue, growth continued to be driven by financial crime compliance and digital fraud and identity solutions, with last year's acquisitions in compliance and behavioral biometrics performing well. Other segments saw some strengthening towards the end of the period.

In Insurance, representing just under 40% of divisional revenue, strong growth reflected the improvement in business momentum seen throughout the prior year.

Customer proposition has been further strengthened by recent small acquisitions in the home and life insurance segments and new sales growth has remained strong.

Specialised Industry Data Services, which represents just over 10% of divisional revenue, saw strong growth overall with commodity intelligence and aviation growing particularly strongly.

Government, representing just over 5%, continued to grow well. Going forward, we expect another year of strong underlying revenue growth, in line with historical trends, with underlying adjusted operating profit growth broadly matching underlying revenue growth.

In STM, underlying revenue growth of 4% continued to be driven by the ongoing shift in business mix towards higher growth analytics and decision tools. Underlying adjusted offering profit growth was in line with underlying revenue growth.

In Databases, Tools & Electronic Reference and Corporate Primary Research, which together represents around 45% of divisional revenue, strong growth continued, driven by further content development and enhanced analytics.

In Primary Research, Academic & Government segments, which also represent around 45% of divisional revenue, growth was driven by a return to strong growth in article submissions with pay-to-publish open access articles growing particularly strongly.

So far this year, renewals and new sales are going well. Going forward, we expect underlying revenue growth to remain above historical trends with underlying adjusted operating profit growth slightly exceeding underlying revenue growth.

In Legal, we saw a further improvement in underlying revenue growth to 6%, up from 4% in the first half of last year, and 5% in the full year. The acceleration in growth has been driven by the continuing shift in business mix towards higher growth legal analytics. Underlying adjusted operating profit growth was slightly ahead of revenue growth at 7%. Strong growth has continued in our law firms and corporate legal markets, which account for over 60% of revenue.

Lexis+, our integrated analytics platform, has continued to see strong uptake and usage growth across segments. In May, we held customer previews of Lexis+ AI, our new platform leveraging generative AI functionality.

Renewals and new sales remained strong across all key segments. Going forward, we expect continued strong underlying revenue growth with underlying adjusted operating profit growth continuing to exceed underlying revenue growth.

In Exhibitions, we saw strong revenue growth and a recovery in profitability. Underlying revenue growth was 27%, driven by a significant increase in face-

to-face activity with venues now open across all geographies, an average like for like event revenue across the portfolio running ahead of pre-pandemic levels by the end of the period.

We also continued to make good progress on digital initiatives in support of our physical events. The improvement in profitability reflects the increased activity levels and a lower cost structure from the streamlined event portfolio. Going forward, we expect a year of strong underlying revenue growth. The operating result will continue to benefit from the structurally lower cost base, with margins now expected to be above pre-pandemic levels.

Our strategic direction is unchanged. We focus on the organic development of increasingly sophisticated information-based analytics and decision tools that deliver enhanced value to our professional and business customers across market segments. Our growth objectives are, for Risk, to sustain strong growth in the current range for a long time to come. For STM and Legal, to continue on their improving growth trajectories. And for Exhibitions to capture the growth opportunities from venue reopening and data-driven digital tools.

Across all market segments, the improving long-term growth trajectory is being driven by the ongoing shift in our business mix towards higher growth analytics and decision tools. It is by embracing artificial intelligence technologies for well over a decade that we have been able to develop and deploy these analytics and decision tools across the company, and we believe that our ability to leverage AI as it evolves will continue to be an important driver of our business going forward.

When combined with our strategy of driving continuous process innovation to manage cost growth below revenue growth, the result is continued strong earnings growth with improving returns. 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.

Nick Luff:

Thank you, Erik. Good morning, everyone. Let me start by providing more detail on the group financials.

As Erik said, underlying revenue growth was 8% with underlying adjusted operating profit growth well ahead of that at 16%. As a result, the adjusted operating margin improved by almost two percentage points, to 33%.

The improved operating result flowed through to adjusted earnings per share, which increased 14% at constant currency. Cash conversion was again strong at 95%, and leverage was 2.2 times, slightly up from last year end, but down on this time last year.

Given the strong overall performance, there was an increase to the interim dividend by 8%, while returning dividend cover to two times on a 12-month trading basis. We spent 111 million pounds on two acquisitions in the first half, and we deployed 550 million of the 800 million pounds planned for the share buybacks this year, with a further 50 million having already been deployed since the end of June.

Looking at revenue, you can see the continued strong growth in Risk, the sustained high growth rate in STM, and a further pickup in growth in Legal. These growth rates, together with a continued recovery in Exhibitions, took underlying revenue growth for the group as a whole to 8%. Electronic revenue, representing 84% of the group total, saw 7% underlying growth.

Total revenue growth of constant currencies for Exhibitions was well ahead of underlying growth because of favourable timing and cycling effects as we return close to a normal event schedule. Being an odd year, 2023 full year will see net cycling out. So by the year end, we expect cycling will be a drag of around 10 percentage points on Exhibitions total revenue growth.

Group revenue growth for the first half, taking into account small portfolio effects and exhibitions phasing, was 9% in constant currency and 13% in Sterling.

Risk and Legal both delivered strong underlying growth and adjusted operating profit, ahead of underlying revenue growth, with each seeing a small drag from portfolio effects in total constant currency growth. STM saw underlying profit growth in line with underlying revenue growth. Exhibitions profit recovered further as activity returned to more normal levels, and we benefited from the lower cost structure. Combined with a strong performance of the three largest business areas, that drove strong group operating profit numbers, up 16% underlying, up 15% in total in constant currency, and up 20% in Sterling, to nearly 1.5 billion pounds.

Margins were unchanged in risk as portfolio effects offset the underlying improvement. In STM, margins were up slightly, benefiting from favourable currency movements.

Legal's margin improved by 30 basis points as we continue to keep cost growth below revenue growth. Exhibitions margins were close to those seen in the first half of 2019, pre-pandemic, benefiting from the return to the normal seasonality in the business, which drives higher margins in the first half than in the full year.

Overall, group margins are up almost two full points, taking them to 33%. Turning to the group adjusted income statement, you can see the underlying growth of 8% in revenue and 16% in operating profit. The interest expense increased with the effective interest rate on gross debt up to 4.2% as we saw

rates rise on floating rate debt and increased rates on new term debt issuance, but less profit before tax, up 12% of constant currency, and that's 16% in Sterling.

The tax charge in the first half was 284 million, with an effective tax rate that came down to 21% with non-recurring tax credits more than offsetting the effect of the increase in the UK corporation tax rate. Net profit was up 13% in constant currency and 17% sterling to just under 1.1 billion. With a lower share count, as a result of the share buyback program, adjusted earnings per share were up 14% of constant currency, and up 19% in sterling to 56.2 pence.

As you've seen, currency was a benefit to the first half results. The Pound averaged 1.23 to the dollar against 1.30 in H1 last year, a weakening of 6%. That was the main reason sterling EPS growth was 5% points ahead of constant currency growth.

The Pound is now stronger against the dollar than it was in full year 2022, and in H1 2023. So if the exchange rates stay at current levels, the average sterling rate for the full year this year will be a little ahead of 2022, reversing the weakening that helped the sterling numbers in the first half.

Here you can see how the operating profit flowed through to cash flow, with EBITDA of over 1.7 billion. CapEx was 227 million, equating to 5% of revenue. Leaving us with cash conversion of 95%, which is in line with historical trends.

Cash interest pay was 128 million. The increase reflecting the higher interest rates and currency effects. Cash tax paid at 320 million was slightly higher than the income statement tax charge, reflecting timing of tax payments. Total free cash flow was 928 million.

Here's how we deployed that free cash flow, completed two acquisitions during the first half, with a total consideration of 111 million. The larger of the two was Human API, that joins Risk in the life insurance segment. Dividend payments were 738 million being last year's final dividend.

As I said earlier, we completed 550 million of the 2023 share buyback program in the first half, with a further 50 million deployed already in July. That leaves 200 million of the programme to be completed in the remainder of the year.

Net debt at 30th of June 2023 was 6.9 billion. Including pensions, the ratio of net debt to EBITDA calculated in US dollars was 2.2 times.

Finally, our commitment to corporate responsibility continues to be recognised by external reporting agencies. We rated AAA with MSCI for an eighth consecutive year, achieved the top ranking amongst media companies

globally with Sustainalytics, and achieved fifth position in the Responsibility100 Index.

With that, I will hand you back to Erik.

Erik Engstrom: Thank you, Nick. Just to summarize what we have covered this morning. In the first half, we delivered strong financial results and we made further strategic and operational progress. Our improving long-term growth trajectory continues to be driven by the ongoing shift in our business mix towards higher growth analytics and decision tools.

As we enter the second half, momentum remains strong across the group. And we expect underlying growth rates in revenue and adjusted operating profit to remain above historical trends, driving another year of strong growth in adjusted earnings per share on a constant currency basis.

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

Moderator: Thank you. We will now begin the question and answer session. To ask a question, you may press star then one on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two.

Your first question comes from Adam Berlin from UBS. Please go ahead.

Adam Berlin: Hi, good morning everybody. Three quick questions from me. Just firstly on Legal, can you talk a little bit about how the trial for the new AI product is going? Any feedback you can give from the customers who are using that product? And when you think that's going to have a revenue impact would be really helpful.

Second question is on Exhibitions, when you talk about improving momentum throughout the first half. Just thinking about how we model that, given what you said about cycling effects. Should we still be comparing to, say, 2019 and just thinking it's going to be a better percentage of 2019 and H2 versus H1? Or do we need to think about the cycling effects that are different in 2023, as they were in 2019? So just some help in how we should model H2 exhibition revenues would be helpful.

And thirdly, just on interest costs, just trying to think about those in H2. Given that clearly US federal policy rate has gone up throughout the first half, but at the same time the currency's changed, so that should be helpful to interest costs. Should we broadly be thinking that interest costs in H2 will be similar to H1?

Thanks very much.

Erik Engstrom:

Well, thank you Adam. I'll cover the first one and then I'll hand the next two over to Nick here.

So you asked about Lexis+ AI. As you know, we previewed this with customers in May. And you asked about the customer response, we have had very positive customer response, both from people who've seen the previews and the small number of large customers that we've been working with now to actually continue to sort of refine the product.

We have had several thousand customers that have signed up to be part of our Go Forward insider program. And we're progressing well on the process exactly as we had planned on our plan timeline, but we have not yet communicated any precise future dates or specific commercial terms to the market. So we will communicate that first to our customers before we do any other summarisation at this level. But it's going well when we got a very positive response.

And you asked, "When will we see this come through in any type of market or revenue difference?" Well, because we're not commercially out there yet, there shouldn't be any material impact this year on that. Because the main driver of the improvement in our legal division now, the growth rate improvement that you've seen from first half last year, 4%, to full year last year, 5%, to this year now growing at 6%, that's driven by the Lexis+ platform, which has the integrated legal analytics that we've been working on for many years. And that's still the main driver of the improving growth trajectory in Legal, and will continue to be for a while next.

Thanks.

Nick Luff:

Yeah, Adam. So if you're looking at Exhibitions against full year 2019, you should take off 10% for the event portfolio. As you know, that we no longer run those shows.

At current exchange rates, you need to knock off 4% or 5% for currency movements, particularly the yen. And then whatever like-for-like comparison you want to use, and obviously at the beginning of the year we were running slightly behind on that. But as it says in the statement, we're now running ahead.

And your last question on interest. Yep, 4.2% effective rate in the first half. It will be slightly higher than that in the second half based on where interest rates are right now. Currency, as you say, moves it around a bit. But full year charge, perhaps slightly more than double the first half.

Adam Berlin:

Great. That's really helpful. Thank you everyone.

Moderator: Thank you. Your next question comes from Lisa Yang from Goldman Sachs. Please go ahead.

Lisa Yang: Good morning. Thanks for taking my questions, I have two. Just firstly on Exhibitions, so now you're expecting a margin to be above 2019 level. Could you maybe confirm how much you're expecting from China? So obviously the JV was a 283 million profit back in 2019, so where do you expect that figure to be for the full year? And where were you at the H1 level? That's the first question.

And the second question is on AI more broadly. You're obviously the first probably company in media to announce a new product incorporating generative AI. So just wondering if you can maybe give us an update on the progress you're making on integrated generative AI in all divisions? And whether we should also start to see maybe new product launches in the coming sort of six or 12 months? And what you're seeing also from your competitors, have they not come up with anything yet? So just wondering, any information on that would be helpful.

Thank you.

Erik Engstrom: Okay. I'll let Nick cover the first one, and then I'll get back and cover the second. Yeah.

Nick Luff: Yes. So, I mean, China obviously not a huge part of our overall Exhibitions business. There's a bit of phasing difference because we moved some events back further in the year. But full year, it will look pretty similar to 2019 in terms of the overall trends.

Erik Engstrom: And when it comes to AI, as I think I said earlier, we have been leveraging different types of AI technologies across our divisions for well over a decade in risk, SGM and legal. And more recently, over the last few years, also in exhibitions for specific types of applications, but much less.

That's also what I consider extractive AI, which is the broader umbrella for machine learning, deep learning tools and algorithms that use to do scoring and prediction, and helping you find things and look at things. So that's what we have been using for a very long time across those divisions.

We have some large language model based internal process support tools that have been ramped up, but they're not of any large scale at this moment, but using them a little bit in a couple of places. But we have several customer facing initiatives being worked on across customer markets that are following the similar principle of what you've seen in legal for Lexis+ AI.

They have not yet been announced to our customers, and they are also going to be more market specific and application specific, as opposed to what

we're doing in Legal. Which is really a Lexis+ AI upgrade to the whole platform, which will be a new platform covering the research and integrated analytics on the legal side.

I mean, if you get specific, you could say in risk we've been using AI for well over 15 years where it's embedded in our algorithms. And in Risk almost 90% of our revenue is really machine to machine, meaning that the old type of algorithms, sort of extractive AI and machine learning tools, are very important to what we have done. And the generative AI step up is a much smaller step than it is in a text-based segment, like Legal, just as an example.

And when it comes, you also said what our competitors do... You asked about competitors as well, I think. And I think you're going to have to ask our competitors what they're doing specifically. The way we see it is that the AI tools that are out there in the marketplace have been available for many years, the new ones are going to come out and be available to all users.

And I have no doubt that competitors in our markets will also continue to look for ways to leverage it for building their analytics and their decision tools. We stay focused on how we can increase the value to our customers by modelling and developing our own tools.

Lisa Yang: Thank you. And maybe if I could just ask a very quick follow-up. If you take for instance, a longer term or a bit longer term view, let's say next three to five years, how do you think about the potential incremental revenue and margin benefit from Generative AI for the group? I know it's really hard to quantify, but is it fair to say it should be positive whether it's 6,000 basis points of revenue and [inaudible 00:24:29] basis points of margin, or it's not going to be-

Erik Engstrom: Unfortunately, we don't think about it this way because we think technologies have evolved for decades already and will continue to evolve for many decades to come. And we see one of our key strategic cornerstones is to continue to look for, to scout for, to test and to integrate new technologies as they come along. And we believe that our ability to do that has been behind the gradual improvement in our long-term growth trajectory that you have already seen in our divisions and have continued to see in this half here in legal. And we believe that Generative AI is just one of those technologies that will continue to support that direction of travel for many years to come.

Lisa Yang: Thank you.

Facilitator: Thank you. Your next question comes from Tom Singlehurst, from Citi. Please, go ahead.

Tom Singlehurst: Yeah, good morning. Hopefully, you can hear me. Tom here, from Citi.

Three questions, if it's okay. Firstly, on Risk, can you just talk about your aggregate exposure to the interest rate cycle and refinancing activity, which I expect is quite low? And the reason I ask is I just wonder whether that will be a differentiator in terms of growth for you and risk relative to the professional information peer group. That was the first question, aggregate exposure to interest rate cycle.

Within Legal, it felt significant to me that you have talked about your growth in the past as being above historical trends and now you're talking about it as continued strong growth. Are you formally signalling that we're just in a higher growth stage now for the Legal business?

And then thirdly, on Exhibitions, great news on the margins. I'm just wondering though, you've taken all that cost out of the backbone and I'm just wondering whether that constrains revenue growth in any way, or whether some of those 'fixed' costs you took out at some point have to come back in.

Thank you.

Erik Engstrom:

Okay. Risk, our exposure to the interest rate cycle. Our direct exposure to interest rate cycle is very low, just as you said, you're absolutely correct that that's not something that we see as a big direct impact. Of course, there's always a bit of activity in some of our customer groups, financial services type customer segments, where general activity levels might be slightly impacted by it. And I think we saw a little bit of that last year, in the beginning of this year, in particular in some of our sub-segments in Business Services.

But that's a very small part of what we do, it's a small part of influence on our growth rate, and the main tenet of what we are doing there is to provide higher value add tools for them to drive financial crime, compliance, fraud and identity, et cetera. So a very small impact. It is there, but it's very small and it's not something that we think is going to be a major factor overall for the risk division in any way. And as you can see in the first half, we continue to run at basically pretty much the rate that you would expect on average for us to continue to run. And we have not seen any change recently on that overall blended growth rate for the Risk division.

Legal, you asked, we have been talking about the improving long-term growth trajectory now for a while and the fact that Legal has moved up above its historical trends and continue to improve from there. And we are now saying that, because of the higher value add analytics and decision tools and the integrated platform that we're operating there, we are seeing higher customer interest in those tools, we are seeing higher customer usage and we're seeing therefore increasing customer spend because they do see the value in these tools and they use them more. And we don't see any reason to believe that trend is going to reverse in any way. And that's why we're now

saying that we believe that the growth rate in legal will remain strong, which is what we labelled what has happened in the first half of this year. That's a correct interpretation.

When it comes to Exhibitions' cost structure, the answer is very simple. It's, "No, we don't believe that that's going to have any impact." We cleaned up the portfolio, eliminated that 10% of our revenue with a significant number of exhibitions at the beginning of COVID, and changed the operating and management structure around that. That's why we now operate with a business that we believe now, based on what we can see, is heading towards a higher value add business, higher growth and higher margin than it was before COVID.

Tom Singlehurst: Very clear. Thank you.

Facilitator: Thank you. Your next question comes from Nick Dempsey, from Barclays. Please, go ahead.

Nick Dempsey: Yes. Good morning, guys. I've got three left.

First of all, Thomson Reuters, we saw them spend \$650 million on Casetext recently. Does that help them leapfrog you a little bit in terms of Gen AI legal offerings, or is it a very expensive catch up?

Second question, in Risk and the insurance component, I think the volumes on shopping events were pretty strong, certainly through Q1, and you referenced that being helpful in the first half. When you look at comps there, are we coming back to more normal levels of growth in the second half? Could that be slightly depressing on the growth rate of that part of risk in the second half?

And third question, end of June, Plan S in the STM world in Europe for open access, those guys disallowed some of your journals as being not transformative. Does that create a problem when you come to renew your publish and read deals with several European countries, or not?

Erik Engstrom: First, on legal analytics and Generative AI. The companies you mentioned have existed in our business, in our market segment for quite a while. They're out there with our customers, we have a lot of respect for our competitors. The question of who owns which subsegment and which tool is not something that we spend much time thinking about. We spend all our time thinking about our main strategy, which is the organic development of our data sets, of our analytical tools, and now the incorporation of Generative AI into those existing tools and into our existing platform.

We believe that, for us, it's a better strategy to continue to build them organically and therefore, from the beginning, plan all the tools with full

integration into our systems based on the modular architecture that we have built over the last several years. And we think that way, not just for Generative AI inclusion, but also for all the other technologies that have come before and will continue to come in the future. That's how we approach it. And of course, there will always be other players in our markets that also use those tools, but that's what you would have to expect in all our market segments. This is no exception. We don't think that this changes our strategy or our approach to the market in any way.

Risk, you asked about insurance. First of all, in the first half, we saw continuation of the trends that we're building in the second half of last year, which was that both shopping activity and switching new policy activity build up during the second half, and they remained strong during the first half this year. Then, just towards the end of the first half, shopping activity growth. It started to come what I consider almost back down or you can say in line with historical growth trends. The growth rates on shopping seem to have normalized a bit. But the growth rates in switching and new policies remained very high because people are switching for differences in price when prices are going up and claim severity has been increasing and so on, driven by the economics of the insurance industry. At the moment, shopping growth rates have normalized a bit, but switching remains very high.

And you asked how that then influences the division. It's interesting that in Business Services, we said that towards the end of last year we saw a bit of a slowing growth rate there driven by some of the points that we made earlier about the economy and interest rates and activity level and some online channels. The growth rate slowed a little bit in Business Services and they remained at those moderate levels for most of the first half. But as we said in our press release, it started to pick up a bit towards the end of the first half. If you look at these overall, you blend them together, you actually see that our current growth rate in the Risk division is very much in line with the overall growth rate for the first half, because these are slightly operating in different directions.

The last question on STM, as you know, there are lots of different organizations, funding bodies, policy groups around the world that continuously work to figure out how to articulate their preferences on how this industry should evolve and how our customers could evolve with the changing landscape of different... Of the growth of a number of articles published and evolving payment landscape for those articles to be published. We are very happy to work with any of those models and continue to engage directly with all our customers and with all those funding bodies to make sure we fully understand their preferences and come up with slightly adjusted ways of serving them, so that they get what they want from us and they get that from us at attractive terms compared to other major providers. And this is no different, it's just one more step in a long sequence of steps like this that have been discussed and articulated over many years.

Nick Dempsey: Thanks. That's great.

Facilitator: Thank you. Your next question comes from Matthew Walker, from Credit Suisse. Please, go ahead.

Matthew Walker: Thanks a lot. Hi, guys. Can you hear me all right?

Erik Engstrom: Yes. We hear you, Matthew.

Matthew Walker: Perfect. Thanks for taking the question. The first one is people have asked the questions about what new products you've got in AI coming out in other divisions, but just to think about how do you actually defend the content that you have to prevent it from being crawled by other people's large language models, whether they subscribe to your product or not?

How does copyright work for the different elements in different divisions? And yeah, basically how do you defend your content being crawled by others?

And then the second question was on Business Services. It was beginning to slow down, Business Services, I guess because of tighter credit conditions. Apparently it's sped up a little bit recently. What do you think the outlook is for business services within risk? You're going to see this small increase in June as a one off and is it going to go back down? Yeah, just interested-outlook there.

And then finally on free cash flow. You've seen basically a working capital outflow in the first half. What is your outlook for working capital and free cash flow for the full year?

Erik Engstrom: I'll answer the first two questions and I'll let Nick handle the third here. So on AI and you're specifically referring to generative AI and large language model tools. The way our contracts work with any customer that subscribes to accessing and using our content is that it's for specific purposes, and those purposes do not generally include any large language model training or any type of generative AI extraction. And that's very clear and that's been now discussed both in our industry and in other industries and more generally with the LLM providers. And that's why the industry has gone towards our strategy, which is that there are many large language model providers. We are working with several of them, a large number, and we're building our tools to be, over time, model agnostic, meaning that we can use different types of LLMs.

We also, when we train them or we have done all different versions of this. We have used some in our pilot products where you just see what they can do as is, which clearly does not work very well for specific business and professional purposes. Then we do some that prompt engineering and what

we looked at as fine tuning. When we then wall it off, we license in the actual software tool and then apply it and only train it on our content that exists, that is proprietary or copyrighted or created by ourselves and fire walled. And then we use those tools to train the model and then to only serve content sets and results that are based on those tools. And that's why we believe that the LLMs are going to license into us. We will apply them to our tools. It's just an additional technological or technical capability. A tool that we can use to refine and advance and improve our analytics and decision tools that already exist. So that's the way they copyright and intellectual property rules work around our content sets for large language model providers.

Business Services. Yes. It started to slow, the growth rate started to slow a little bit actually last year and that started in the second half of last year in particular and then during the first half and we have seen this pick up a little bit on the like for like growth rate basis as well as on an absolute basis over the last couple of months. And how do I see this going forward? The key point there is actually that we are seeing a little sequential strengthening now and we're also on a growth rate basis starting to lap the period that was a little slower in growth. I mean we're not talking about big shifts here, but that's how I see it going forward. That's why I believe that the more recent trends are likely to continue.

Nick Luff: And Matthew, your question on free cashflow and working capital. As you know, we have a very attractive, large negative working capital position. It's pretty stable. It doesn't tend to move much. Sometimes in a full year we get a small inflow, sometimes a small outflow. It just depends on what exactly happens towards the year end. But overall, I'm not expecting anything different. Our typical mid nineties cash conversion. As you saw, that's what we did in the first half and no reason at this point to think we'd do anything different for a full year.

Matthew Walker: Awesome. Thank you guys.

Moderator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone.

Your next question comes from Konrad Zomer from ODDO BHF. Please go ahead.

Konrad Zomer: Hi, good morning. Thanks for taking my questions. The first one is to try again on the working capital on the back of the previous question. Can you explain to us why there was a working capital outflow in the first half? I fully understand that there must be a Basis, there's no material shift, but just struggling to understand why your working capital outflow would be negative in the first half.

And my second question is, previously you indicated that growth in the open articles, sorry, open access articles was more than 20% year on year. You still talk about strong growth. Could you confirmed that growth in that particular part of primary research is still above 20%? Thank you.

Erik Engstrom: I'll take the second one and then I'll let Nick cover the first here. I mean, I'm sorry, I'll take the second, I'll get Nick to cover the first then because the second is very simple. Yes, I can confirm that article submissions growth is back to strong growth overall and when we say particularly strong growth in paid to publish open access. Yes, I can confirm that the growth rate in article submission in the open access is still over 20%. Yes.

Nick Luff: Konrad, it is not unusual for us to have a working capital outflow in the first half. We have quite a few of our subscriptions on a full year cycle with billing in advance. So we often collect the cash before the start of the relevant year and then just the deferred revenue just unwinds in the first half a little bit, but it's a small number. The overall gross working capital balances are into the billions, so you just do get small net flows one way or the other.

We obviously very carefully manage everything and manage the cash conversion and as I said, that 95% cash conversion in the first half, that's in line with historical trends. We've had a couple of years, slightly oddly, with the dynamics around exhibitions, which has put us over a hundred in the first half. But the 95 you see there for the first half this time is entirely in line with historical trends and for the full year, no reason to expect anything different.

Konrad Zomer: Okay. Thanks a lot.

Moderator: Thank you. Your next question comes from Henk Slotboom from The Idea. Please go ahead.

Henk Slotboom: Good morning. Thanks for taking my questions. Very simple question. With more and more companies having to report on CO2 footprints and that sort of things, the exhibition business, it involves a lot of travel for people. Could that be a constraining factor going forward in time? And if so, how do you deal with that?

Nick Luff: Yeah, obviously exhibitions are a way actually of helping people to reduce their carbon footprint, because by bringing people together in one place where you can meet many customers and industry contacts, it saves a lot of travel. So I think exhibitions have a role to play in helping people need to travel less.

Henk Slotboom: Okay. Well straightforward answer. Thank you.

Erik Engstrom: Well, thank you very much for taking the time to join us on the call today and look forward to talking to you again soon.