RELX PLC

RELX Legal Analytics Teach-in

11th November 2021

Transcript

Mike Walsh:	Good afternoon. I'm Mike Walsh, CEO of LexisNexis Legal & Professional. I joined LexisNexis in 2003 as a head of strategy, and I've been CEO of the business since 2011. I'm a lawyer by training, having graduated from Harvard Law School in 1993. After that I worked at Weil Gotshal, a major US firm. Then I spent some time at General Electric as in-house counsel. So, I've seen both the law firm and the in-house counsel side of this industry.
Mike Walsh:	Our focus today is on legal analytics, which is a key driver of value for our customers and growth for our business. I'm going to provide an overview of our legal business and strategy, then I'll explain what we mean by legal analytics and why we are so strongly positioned to deliver it and how it drives acceleration in our growth. This will be followed by a presentation by Jeff Pfeifer, Daniel Lewis and Angela Bozzuti, leaders in our North America product team, to showcase how legal analytics drive value for our customers. We'll then have time for Q&A with the full group.
Mike Walsh:	The legal division represents 23% of the revenue and 15% of the profit of the RELX Group. In the last 12 months to June 2021, our business generated £1.6 billion in revenue, or 2.2 billion in US dollars. By geography, almost two thirds of our revenue is generated in North America. This is representative of the overall market composition with North America accounting for 55% of global legal information spend. By format, 88% of our revenue is electronic. About 80% of our revenue is subscription based. Most of our online subscriptions are multiyear, averaging three years in length.
Mike Walsh:	We are a leading provider of legal information and analytics to legal and business professionals in law firms, corporations, and government. We do business in more than 160 countries and employ more than 10,000 employees worldwide. About 80% of our business is providing legal electronic research, analytics and decision tools primarily to legal professionals in law firms, corporations, and governments in North America and key international markets. We are one of three large truly global players in the legal information market, and there are also a number of specialist and country specific smaller players. We are the number two provider in the US and the number one or two provider in our key international markets. We also provide

news and business content to a range of customers and continue to provide legal print publications to some of our customers.

Mike Walsh: Our business has delivered steady and improved revenue growth in margins. Underlying revenue growth improved from 1% in 2015 to 2% between 2016 and 2019, followed by positive 1% growth in 2020 despite the pandemic. We saw an improved revenue growth trajectory pre pandemic driven by our focus on analytics and decision tools, and we are now back on that improved trajectory with year-to-date revenue growth of 3%. Our capital expenditure peaked in 2011 at 12%, and then stabilised at around 9% of revenue.

Mike Walsh: Despite the impact of the depreciation of this investment now coming through the income statement, our adjusted operating margin after fully allocating RELX corporate costs has grown over 100 basis points since 2015. Excluding the non-cash depreciation impact, our EBITDA margin has grown over 500 basis points to 30.9%. Our objective is to continue on this improved revenue trajectory with underlying adjusted profit growth exceeding underlying revenue growth.

Mike Walsh: The main driver of our improved organic growth trajectory is our focus on analytics and decision tools. Analytics is at the heart of our strategy. We are expanding our portfolio of analytics and decision tools that solve key customer problems and provide unique value at key decision points for lawyers. We use analytics to create new product use cases across attorney workflow and globally. We leverage our legal technology platform, including use of machine learning and AI, to accelerate our organic product development as well as improve our internal processes, drive cost innovation, and expand margin.

Mike Walsh: So, what do we mean by legal analytics and decision tools? These are offerings that analyse the underlying content and data sets to help attorneys make better decisions. In their most advanced form, they help attorneys predict outcomes, develop litigation strategy or select the best legal language or contract terms. We use advanced technologies such as machine learning, natural language processing and AI on our vast quantity of data and content to extract data points, recognise patterns and drive insights. We then embed these data-driven insights at key decision points in attorneys' workflow and provide them with actionable decision

support tools. This work would be incredibly time consuming or nearly impossible for lawyers to do manually.

Mike Walsh: Analytics and decision tools can be a standalone solution or a functionality that is integrated into our existing applications. We are building a comprehensive ecosystem: research, practical guidance, workflow, and analytics and decision tools. Legal analytics and decision tools are now a substantial and growing part of our portfolio and growing at high single digits. These tools are delivered alongside our electronic reference solutions growing in low single digits while print continues to decline in mid to high single digits. And we believe this migration of our solutions toward higher value analytics and decision tools that deliver enhanced value to our customers will continue to be a primary driver of growth.

Mike Walsh: We apply analytics and advanced technologies to use cases across the attorney workflow. In the centre of the chart, you see research, which is the origins of our business. Research is integral to lawyers and their daily work. We use AI powered search, including powerful visualisation and a natural language interface to help lawyers ask questions and find the right information efficiently and comprehensively, and we are constantly improving this process. We then apply our analytics and decision tools, delivering data-driven insights at key decision points.

Mike Walsh: This includes our market leading Law360, where we use our algorithms to gather daily breaking legal news and events and deliver them to our customers faster than anyone else; litigation and case analytic solutions, which help litigators develop litigation strategy, choose the right expert witness or analyse the strength of their legal arguments; and document drafting productivity tools, which enable lawyers to more efficiently draft legal documents. Most of the products you see here are the result of our organic product innovation. We also do targeted acquisitions, which support our organic growth strategies and where we are the natural owner. For example, Lex Machina, Ravel Law, and Intelligize.

Mike Walsh: The case study of a large law customer illustrates how our strategy drives growth. This customer has historically subscribed to all our electronic reference and print materials. Between 2016 and 2020, their overall spend with us increased by an average of about 5% annually, despite ongoing print decline. The growth was driven by increasing spend on our analytics and decision tools. In gray, you can see growth

in current awareness and regulatory monitoring tools. In orange, you can see litigation decision tools that we will showcase today. Finally, in blue are transaction decision tools that help attorneys draft contracts. This includes products such as Market Standards, which we will also showcase today. Up selling customers with new products is a key part of our strategy and a significant driver of growth.

Mike Walsh: Our migration to analytics and decision tools is enabled by our global scale and technology. RELX spends $1.5 billion on technology annually and has about 9,000 technologists and we are able to leverage these resources, capabilities, and technology knowledge and infrastructure at LexisNexis. We start with the content and data sets which can be structured or unstructured. We ingest a vast amount of data from more than 69,000 data sources in varying formats, managing about 128 billion documents and records in our LexisNexis legal and news database.

Mike Walsh: Some of these are unique historical data sets that are no longer available for collection. Many of our own content sets carry unique brands like Shepard's and Matthew Bender in the US, Butterworths in the UK and Juris Classeur in France. These brands are built over decades and have high recognition and loyalty among our customers. In addition, we are continuously adding new documents. On average, 1.7 million new legal documents are added daily. We refine and enrich this data, identifying billions of entities such as the name of attorneys and law firms as well as legal concepts to mark up the content, creating valuable metadata.

Mike Walsh: With machine learning and proprietary technology, we then link the information and learn across data sets, creating a knowledge graph which enables our advanced analytics. We then apply predictive modelling, visualisations and AI technology to extract data-driven insights and provide actionable decision tools that deliver enhanced value to our customers. We have a modern, fast, flexible and scalable legal technology platform that allows us to experiment and deploy new solutions rapidly and at low cost. This technology platform has enabled us to launch Lexis+ in September 2020, bringing together our content, search functionality, analytics and decision tools into one integrated customer application.

Mike Walsh: Our intense focus on innovation around customer use cases, leverage of our unparalleled data sets and leading platform allows us to deliver unique value to our customers that competitors can't match. As we continue to adopt new and

improved technologies and refine and improve our agile processes, the rate of our innovation is accelerating. We launched 30% more products in 2020 versus prior year. To bring all of this to life, we'll now switch over to our product showcase with Jeff, Daniel and Angela, who will show you Lexis+ and walk through a few examples of how litigation and transaction attorneys use our products.

Jeff Pfeifer: I'm Jeff Pfeifer, Chief Product Officer for LexisNexis Legal & Professional in North America. Today, we're going to show you some of the analytics that Mike talked about, how our customers use them and how they can access the tools seamlessly through our new application, Lexis+. Lexis+ is an integrated application that combines research, guidance, analytics and legal news, delivering data-driven insights enhanced with practical guidance content across 21 practice areas. Lexis+ includes several new capabilities, and today we'll focus on three of those: litigation analytics, brief analysis, and market standards that serve two of the largest segments, litigation and transactional lawyers.

Jeff Pfeifer: On the Lexis+ homepage, you can see the familiar product experiences that customers expect; the ability to search by content type, by practice area, and by topic. We've tailored specific customer resources related to COVID-19 and aligned with our mission Rule of Law centred social justice materials. The experience doc allows seamless access to previously separate product experiences across legal research, practical guidance, litigation analytics, legal brief analysis, and current awareness.

Jeff Pfeifer: Our current awareness centre provides lawyers with the latest news and events from Law360, covering 60 areas of practice, industries and jurisdictions. What makes Law360's offering so unique is our technology aided editorial process. Proprietary algorithms developed and refined over our 15 year history continuously search through our vast database of legal content and the open web in order to identify breaking events as soon as they happen. The result is faster delivery of breaking news and events such as a new lawsuit or transaction hours ahead of any other legal news provider.

Jeff Pfeifer: For attorneys, this provides the ability to inform clients of key issues, formulate legal strategies for cases or uncover new business development opportunities before competitors. Law360 is the most popular current awareness offering in the market

with over 2 million newsletters delivered daily to subscribers. I'll now hand it over to Daniel who will demonstrate analytics use cases for litigators.

Daniel Lewis: Hi. I'm Daniel Lewis, a product leader of our analytics and guidance solutions. I joined LexisNexis in 2017 through the acquisition of Ravel Law, a pioneering company building analytics for litigation attorneys that I founded in 2012 and which underpins some of the features I'll show you today. I'd like to demonstrate the power of analytics for a litigator by reviewing three litigation use cases supported by our analytics. One, planning for a litigation matter based on judge analytics; two, developing strategy, including witness selection, based on court language analytics; and three, strengthening court submitted materials based on legal document analytics.

Daniel Lewis: In today's examples, we'll discuss how our products help an attorney at a large US law firm throughout the various stages of a litigation matter. The firm recently started discussions with a client about a new case. The client's a defendant facing an employment class action lawsuit. I'll adopt a persona of a lead attorney on the case. I first need to evaluate, one, whether my client could be better served by requesting a different judge, which is possible in most US courts. And two, whether an opportunity exists to terminate the case quickly using a legal motion called a summary judgment. Each of these litigation strategy choices drives a range of financial consequences for my client.

Daniel Lewis: I know that Judge Richard Seeborg has been assigned to my case. So using the experience doc and litigation analytics, I can start exploring the record of my assigned judge. With litigation analytics, I can quickly review key statistics on Judge Seeborg derived from dockets, including cases filed by year, by type and time to key events. Under cases by type, I see that Judge Seeborg's caseload is heavy in product liability, totalling 1,183 matters. He has less history with employment law cases, which gives us less insight into those cases relevant for my client. Armed with this data, I could consider a request for reassignment to a judge with more history handling employment cases. Under time to key events, I can see median days to summary judgment and trial for Judge Seeborg. In litigation matters, defendants generally want to terminate a case before trial because trials tend to be long and costly with less certain outcomes. Data on time to trial and termination allows a lawyer to advise a client on expected litigation costs and enables the client

to determine whether a matter should be fully litigated or settled. Legal analytics allows a lawyer and her client to make informed choices about litigation pathways.

Daniel Lewis: Contrary to our expectations, we find that termination through summary judgment takes longer than trial for Judge Seeborg, with a median of over three years to summary judgment versus close to two years for trial. This data further supports our decision to request a different judge.

Daniel Lewis: With my data driven guidance, we decide to request a reassignment. Our client is ultimately assigned a judge with more employment cases and a more standard profile of time to key events. Our client decides to move forward with a motion for summary judgment. Without this tool, I would spend hours gathering data on Judge Seeborg's cases and rely on anecdotal data, which is often incomplete.

Daniel Lewis: These summary metrics are highly valuable, derived from LexisNexis enriched court data sets. With litigation analytics, I can quickly access key data points on case resolutions, filings, remedies, and damages in a matter of minutes to help my client make important strategic decisions.

Daniel Lewis: Although based on the data my client would prefer to terminate this case before trial, we know that we need to be prepared if we don't get this outcome. So we start preparing for our expert witness strategy using Context. Context is the legal industry's first and only language analytics solution. It extracts and analyses statistics and language from a comprehensive set of court opinions across five analytics modules: judge analytics, court analytics, expert witness analytics, attorney analytics, and company analytics.

Daniel Lewis: Today, I'll use Context expert witness analytics, which is designed to help litigators select the best experts for their cases by searching experts based on their expertise and experience. First, I search for wage and hour compliance to view the list of expert witnesses specialised on this topic. I can then view results by highest testimony count. The search returns several experts, including Robert Crandle and Lloyd Aubrey at the top of the list. Both work mostly with defendants and are based in California, where our client's case is.

Daniel Lewis: Given his greater experience testifying. I decide to look into Robert Crandle. In the overview tab, I can see basic information on Robert, including his professional

experiences. In the analytics tab, I can see a visualisation of the witness's performance in federal court cases. On the left, I can see that Robert Crandle has a 55% rate of testimony admitted, 36% admitted in part, and 9% excluded. Below, I can see that methodology has been the most common type of challenge, which is noted for witness preparation. On the right, I can see the underlying cases and outcomes, which I can use to further investigate, for example, reasons for partial admittance, based on the decision language extracted. I know these as items to check to strengthen our witness and case strategy.

Daniel Lewis: Previously, a lawyer might have conducted dozens of searches and a manual review of court language to find these insights, but analytics quickly helped the lawyer understand the expert's strengths and weaknesses and forecast how his testimony will stand up in court. Based on his expertise with labor and employment cases and strong trial outcomes, including a low rate of exclusion from challenges, I note to engage Robert Crandle as our expert witness in case of a trial.

Daniel Lewis: In following days, I file a motion for summary judgment, and the opposing counsel files an opposition. I need to analyse and compare the opposition's arguments to my motion. Using the experience doc, I navigate to brief analysis and open the judicial brief analysis tool. Mirroring the process that judges and court clerks use when analysing opposing briefs, Lexis+ Judicial Brief Analysis allows lawyers to compare up to six documents and receive one report of case law arguments, citations, and quotes to determine accuracy, relevance, and argument strength. Using this tool, I can compare my brief with the opposing counsel's documents to strengthen my client's position.

Daniel Lewis: I upload the opposing counsel's documents and my draft brief to begin the analysis. The dashboard page shows an overview of the case recommendations and brief suggestions for the documents uploaded. The recommendations tab shows recommendations for research for each portion of the opposing counsel's arguments. These recommendations are based on machine learning technology that extracts legal concepts from uploaded documents. I can read through these cases to view relevant cases for my opponent's points, which I can investigate to craft my reply.

Daniel Lewis:	For example, Koviach versus Crescent is a relevant case, where, like our client's matter, the plaintiff is arguing that they are misclassified as independent contractors. I note this case for further research. Beyond cases, I can also view practical guidance content and treatises for each of these recommendations.
Daniel Lewis:	The defendant and shared sections show case recommendations for my own brief and for areas of overlap with opposing counsel. Without brief analysis, a junior lawyer can spend days comparing arguments and researching legal precedent, but is often left wondering, "Did I miss that one case a most critical to our argument?" With brief analysis, the work takes minutes. Through the combined power of Lexis+ tools, the attorney can confidently devise the best litigation strategy and ensure optimal outcomes for their client.
Daniel Lewis:	Next, I'd like to introduce Angela Bozzuti to look at how transactional lawyers can use the Lexis+ Market Standards tool.
Angela Bozzuti:	Hi. I'm Angela Bozzuti, a product leader in our practical guidance team. My expertise is in transaction workflow, having practiced for 10 years, including IP transactional law, prior to joining LexisNexis.
Angela Bozzuti:	In today's examples, we'll look at how Market Standards helps an attorney at a large US law firm who is working on a merger involving two pharmaceutical companies, where her firm represents the buyer. I will adopt a persona of the lead attorney on the case.
Angela Bozzuti:	The buyer is concerned about the fundamental reps and warranties that the seller has made and wants the indemnification to survive for as long as possible. Reps and warranties are assertions made by the seller about their business. If any of these assertions turn out to be false after the deal closes, the buyer is protected from the potential losses by the indemnification clauses.
Angela Bozzuti:	I want to ensure that I craft the indemnification survival period to provide my client the longest protection against future liabilities, using language based on similar deals in the market. Using the experience doc, I access practical guidance to use Market Standards. Market Standards analyses more than 37,000 deals publicly filed with the US Securities and Exchange Commission and allows users to quickly benchmark their deals against others. I specify my search criteria to find similar

Angela Bozzuti: deals from recent years, deal structure to mergers, industry to pharmaceuticals, and filing date to the last three years.

Angela Bozzuti: I see that there were 174 similar deals in the past three years. At the top, I can see my summary dashboard, which shows key data points for these deals. I can also easily see the underlying data by clicking on any of these graphs, for example, deal structure and consideration type.

Angela Bozzuti: To review indemnification survival periods, I use the filters on the left, which can be used to find and extract over 150 key deal provisions, such as termination and indemnification. I look under indemnification and narrow my results to see deals that included indemnification survival periods for the survivor's fundamental reps and warranties. I can quickly see that there are 14 similar deals and can easily access their related documents. Under indemnification survival period, I see the various timeframes for the survival period in the relevant deals, such as 18 months and six years.

Angela Bozzuti: Since the buyer is looking for the longest survival period possible, I consider using a six-year survival period. I can also use Market Standards to check for precedent language so that my team is well equipped when reviewing and negotiating requests from opposing counsel. With this data, I can see that in a similar pharmaceutical deal filed earlier this year, the seller agreed to a six-year survival period for their fundamental reps and warranties and can use this precedent deal to negotiate the same timeframe for my client.

Angela Bozzuti: I can also download the indemnification survival period information for all 14 deals at once so I can quickly assess and compare language from all of the relevant deals, saving more time in review. Using Market Standards saves us from manually reviewing hundreds of pages for each deal to extract relevant deal provisions and understand market benchmarking. Market Standards provide six times the number of deals analysed, two times more deal detail and analysis, and three times the speed of our competitors. As you can see, Market Standards is a powerful tool for transactional lawyers, providing customisable deal insights and quick access to underlying documents. With that, I'll hand it back to Jeff.

Jeff Pfeifer: Thanks, Daniel and Angela. To summarise, law firms use our analytics tools to give their attorneys an edge over their competition. Our analytics insights are used

across the firm from associate to senior partner to strengthen client outcomes. Customers tell us that the use of our tools not only saves weeks of attorney effort across a law firm, but also aids in business development and enhances training and onboarding of new attorney classes.

Jeff Pfeifer: Lexis+ has enabled us to integrate multiple analytics decision tools across the attorney workflow, and feedback from our customers has been incredibly positive. And we're seeing growth in user engagement across some of our largest customers of between 30 and 60%, depending on the analytics tools they use. Lexis+ has become a significant driver of revenue growth since its launch in September last year and now accounts for the clear majority of our new sales. It's exciting to see the multiple ways in which law firms use our tools, which is reflective of the value delivered to our customers.

Jeff Pfeifer: Thank you for your time. And with that, I'll hand it back to Mike.

Mike Walsh: Thank you, Jeff. That concludes our product showcase. As you can see, Lexis+ and our analytics solutions enable legal professionals to quickly and confidently make decisions. These analytic solutions create value for our customers by improving their productivity, helping them achieve better outcomes for their customers. We in turn see improved customer usage, engagement, and penetration, which drives our organic revenue growth.

Mike Walsh: We are also incredibly proud of our contributions that we make in helping advance the Rule of Law, both for our commercial activities and our Rule of Law Foundation. Our work in supporting the Rule of Law has global impact, reaching over 160 countries. We covered our different initiatives in detail in our corporate responsibility seminar in May this year.

Mike Walsh: To sum up today's session, we are accelerating revenue growth by delivering higher value legal analytics and decision tools to our customers. We are broadening the use cases we address for our customers and providing an integrated product experience. We are leveraging our unparalleled content sets and our global legal technology platform to accelerate our innovation and improve our internal processes and drive cost innovation. Our objective is to continue on our improved underlying revenue growth trajectory with underlying adjusted operating profit growth,

exceeding underlying revenue growth. That concludes our presentation, and we'll now switch over to Q&A.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We will pause for just a moment to allow everyone an opportunity to signal for questions.

Operator: We will now take our first question from Sami Kassab from Exane. Please go ahead.

Sami Kassab: Thank you very much. Good evening, Mike. Good evening, everyone. Thank you for the presentation. I always found LexisNexis quite fascinating, but to me a little bit hard to understand. So, I have three questions to start with. Can you first elaborate on the pricing of your various services? Because in the past, I think you've suggested that Lexis+ does not come at a premium to Advance, but then again, it's an integrated product. So, it seems that you are actually selling more services, such as current awareness, practical guidance analytics at the same price than Lexis Advance.

Sami Kassab: So, I'm struggling with understanding exactly how the mechanics of the growth acceleration unfold, and perhaps you could help me out with discussing pricing and the drivers at play there, please.

Sami Kassab: The second question, it seems to me that new entrants in legal analytics like ROSS or CaseStacks seem to have made some progress using advanced AI, such as GPT-3. So, can you discuss whether you also have access to GPT-3? And if not, do you think that these companies can gain a competitive advantage by using what seems to be a widely acclaimed new model that you might be not using today?

Sami Kassab: And lastly, even if we adjust for its global print division, Thomson Reuters has reported a faster acceleration of its legal revenue growth in the recent quarters than Lexis. So, are they taking market share or is it just that the differential in growth is perhaps due to market exposure or to timing? So, in other words, are you expecting top line to accelerate towards four to five percent in the long-term? Thank you, Mike.

Mike Walsh: Okay. Thank you, Sami. Let me ... I'll take each one of your questions. And let me start with your question on pricing of Lexis+. So, as you know, Lexis+ is a premium offering and it acts as a platform for additional functionality. And sometimes, we sell additional functionality can be a standalone, but most often is it is integrated into the overall Lexis+ package. Customers pay based on what they take. And we price based on the value. And it's a highly customised situation. So, we have different customers, and they take different parts of the offering. And the overall package is what we sell to them. And it's based on the value that we provide. We sell in multi-year subscriptions and most of those tend to average about three years in length. And they tend to have step ups over time. But the overall construct is a subscription with add-ons, for the value-added modules and analytics that we sell. Let me talk a second about technology and AI and machine learning technologies that we use in our analytics offerings. We use a variety of technologies. We use some that are off the shelf. We use some that are homegrown. We use some that originated in our Risk Solutions business, HPCC and they tend to fall in the categories of machine learning and artificial intelligence. And we've been doing this for 15 years with our analytics, and we go deeper than any other player in the marketplace in this. Because we tag judges, law firms, specific events, and we can actually provide insight into events like case resolutions, remedies, damages.

Mike Walsh: And so, we provide unique insight in that with our range of technologies. And by the way, we're constantly, we have a technology radar and any new technology that we see we can easily plug into our service. So, anything we see that's working effectively, we just plug it into our platform, and we roll and off we go. This allows us to create unique insight in the market, and we believe that our customers are seeing significant value in that. And we are ahead in that part of the market. Let me take your third question, which is on growth rates of competitors. And let's take a step back first and think about growth rates of us versus our competitors over a decade-long period of time. And if you look over a decade, what you will see is that there are periods of time when you might have one competitor in a particular market or country or geography or depending on where they are in the technology refresh.

Mike Walsh: There might be one that has a marginally higher growth rate versus the other over time. But over that period of time, there have been no material changes in market share. Most recently, more recently, as you've seen the growth rates the reported growth rates have become more difficult to compare. Because some of the

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competitors have chosen to report things in different segments. For example, and you pointed out one, we report print in the legal segment.

Mike Walsh:
We also report our corporate news and business-business in the legal segment. Some of our competitors do not do that. Some of our competitors report the high-growth, risk, fraud and compliance business in the legal segment. We report that in our Risk Solutions segment. So, when you look at truly equivalent parts of the business, there are no material changes or differences in growth rates. And we see this day by day. We track comparable businesses all the time. We look at all the metrics and we are confident that our business is growing as fast or faster than any major competitor. And looking forward, we are very well-positioned. We've got the best leading technology platform in the industry that can adopt and take in any new technology that proves out to be effective. We have unparalleled content sets, and our focus on decision tools and analytics is driving our growth.

Sami Kassab:
Excellent. This was a very thorough answer. Many thanks, Mike. I learned a lot. Thank you.

Operator:
We will take our next question from Tom Singlehurst from Citi.

Tom Singlehurst:
Thanks. Thanks, Mike. Thanks, everyone. As Sami said, it's been a great session. So, I really appreciate all the additional colour. I mean, if for anyone coming to Lexis new, listening to this session, or indeed any previous segment-level investor event, you'd never guess that it was a division that's only grown one, one and a half percent compound over the last five to 10 years. And I'm just interested whether you could give a bit of context to that figure, because it feels like it should be faster growth. In fact, virtually every other area of professional information that we look at grows faster. So why hasn't either Lexis or indeed the competitors or the market grown faster? Is the total addressable market shrinking? Are you collectively as a larger player gaining share, and we're just missing the fact that law firms are becoming more efficient or is it the number of law firms are falling?

Tom Singlehurst:
What does your growth rate historically tell us about the attractiveness of the market? Is 1%, 2% the best you can do? That's I suppose the first question. And then the second one, and once again, echoing Sami a little bit, but I mean, obviously the growth rate, I see your point that the comparability issue, I suspect comparability is going to be the answer to this question as well. But it does look like they make

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materially higher margins than guys. I was just wondering whether you can unpick the different mix effects that might drive that. And whether you think on an underlying-underlying basis, you also have the same margin as Westlaw, as well as the same growth rate.

Mike Walsh: Yeah. Good questions. Thank you, Tom. Let me tackle both your questions and let me start with your first one about the historic performance and the market. Let me just start with the market. The market is growing. The fundamental drivers of the market growth are increasing complexity of legislation, regulation, commercial complexity, and that continues, and that has been continuing, and that is ongoing. So, there's no structural rift with the underlying market growing. In terms of why growth rates are changing. And you see, we reported 3% versus one, several years ago, and then two, between 2016 and 19, you also see the competitors going up as well.

Mike Walsh: The driver of that is really the shift to higher value analytics and decision tools for our business. Our competitors would be better positioned to comment on that for their business. But if you look back, say five or seven years ago, most of the competitors were offering fairly standard research offering in the market. And that had its own implied growth rate in it. Now, as we've developed and built out our legal technology platform and innovated on different use cases and continue to expand the use cases beyond research, you've seen the portion of our revenue that is higher, higher value analytics, where workflow decisions become a bigger part of our pie. That's growing in the high single digits. Some parts of it are growing in the double digits, and that's becoming a bigger part of our business because the demand for our customers is pulling us in that way.

Mike Walsh: There's going to be more innovation to come than there ever has been in this industry, because the technologies enable us to be able to do that. And our customers have a strong demand for that. So, I think that the trend line that you see historically of one to two to three is probably indicative. And of course, our objective is to continue to accelerate and expand upon that. And we see this transition into workflow decisions and analytics as being at least a decade-long transition. Now, let me take your second question on margins. So obviously, when you look at margins and you look at the competitors' margins, we have a large competitor. We've got tremendous healthy respect for competitors, but they run their business quite

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differently than we run our business. And there are some differences that are important to take into account. There's of course, differences in portfolio, there's differences in geography mix, there's differences in what you include in the business and not.

Mike Walsh: And one thing that is important to think about with us is that we fully allocate all of our costs throughout RELX's all up and down to the division. So, when we report, for example, our 30.9% EBITDA margin in 2020, that includes all allocation of RELX's costs. Some competitors in the market don't do it that way. Also, we fully allocate all of our restructuring charges and restructuring costs. And again, some of the competitors don't do it that way as well. So, when you look at that, that's how we get to our 30.9% EBITDA margin. And of course, as you've seen, got a good track record of expanding that margin. And our objective is to continue to expand the margin and have our profit growth continue to exceed our revenue growth.

Tom Singlehurst: That's great. Very clear. Thank you very much.

Mike Walsh: Thank you, Tom. Thank you, Tom.

Operator: We will now move to Nick Dempsey from Barclays. Please go ahead.

Nick Dempsey: Yeah, good afternoon. I've got three questions please. So, first one, do you have examples where law firms have been able to actually reduce head counts or change their cost base as a result of using these analytics tools in Lexis+? Or is it just more of a case of getting lawyers to use their time to do more sophisticated work? Second question, as print declines and analytics tools increase in the mix as you've been showing us, is that combination a net positive or negative for margins? I'm thinking that some print offerings are quite expensive. There's quite a lot of investment in technology. So how does the mix of those two things impact margin? And the third question. Yeah, I mean, is the demand for Lexis+ and analytics products quite weighted to the US right now? So, if so, is there an opportunity to start rolling those out more aggressively in your other markets over the next couple years?

Mike Walsh: Yeah. Yeah. Okay, great set of questions. So let me tackle all three of those. Your first question about our productivity tools, workflow solutions and analytics impacting law firm productivity. And do we see examples of savings of time and reduce head count? Well, we have seen tremendous savings of time, and our

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products make our customers much more efficient. They tell us that. In some cases, we quantify that in minutes and hours of time savings. And that's certainly a discussion that we have directly with our customers about that. And that's really important for our customers, because for them, what they really want to do is they want to grow their business. And to grow their business, they have to be able to get more productivity out of their existing lawyers and they have to be able to serve their customers better. If they can't serve their customers efficiently and quickly and in as low-cost a manner as they can serve their customers, of course, will go somewhere else.

Mike Walsh: So, for them, it's incredibly important to have the best analytics productivity decision tools on hand so they can provide the best service to their clients, which then in turn grows their business. And if you look at legal headcount over time, it's gradually gone up and I don't expect a break from that trend. There was a little slight dip during the pandemic obviously, but the long run trend is for that to continue. And lawyers will have the chance to do even more and more high-value counselling work with their clients, which I think they appreciate. Second, let me address your question about margin and the change in mix in margin. And does the change in mix actually impact our margins as the different parts of the portfolio have different margins. And I guess I would say, if we look back in history on that, what we see is, there has already been a significant shifting of that.

Mike Walsh: So, if you look at our print right now is 12% of our revenue. If you look back, 10 years ago, it was about 26% of our revenue. So that has been a big change. And we have also during that period of time, built out and invested significantly in technology infrastructure and analytics and decision tools. And throughout that whole period, you see our margins continue to expand. And of course, that is our objective, to continue to gradually expand our margins and have our profit growth exceed our revenue growth. And we've done that in the past, and we have an objective to do that going forward. And I don't look at the portfolio mix as having a material impact on that progression.

Mike Walsh: Let me comment on your third question, which is around international growth opportunities. And are you weighted to the US? We're weighted just slightly higher in the US than the overall legal market, but the answer to your question on international expansion opportunities is yes, we do have good international

opportunities and expansion. So, all of the things that Jeff and Daniel and Angela demoed for you today, we have good strong demand for those in our other major countries. UK, France, Australia, Canada, and Asian countries as well. And because we have developed a scalable platform that allows us to develop once and roll out, you will see these offerings, not every one of them. They vary a little bit by country and market, roll out to these different countries over time. We've already seen that, for example, with Lexis Advance, the prior solution before Lexis+.

Mike Walsh: We roll that out into Canada, to Australia, into different markets, et cetera. Now, the interesting thing is, because we've got this great global scalable platform, and innovation happens everywhere. It's not just a one-way street. We also have solutions that are being innovated on the platform in different countries that we're importing into the US. We've got a great document drafting solution called Lexis Create that originated out of the UK. And we brought that into the US. We've got a fabulous regulatory compliance solution that we innovated in Australia, and now we're moving that into the UK and into the US. So, it's a cross-fertilisation, cross-pollination opportunity. And we think that as we continue to develop new use cases, the opportunity to take those globally is significant.

Nick Dempsey: Thank you. That's great.

Mike Walsh: Thanks. Thanks.

Operator: We will take our next question from Adam Berlin from UBS.

Adam Berlin: Hi there, can you hear me, okay?

Mike Walsh: Yeah, you're coming through fine.

Adam Berlin: Perfect. Just two questions, if I may. The first one is, your growth strategy seems to be focused on the awareness tools and the analytics tools. Is Westlaw pursuing the same kind of strategy? And you are just competing in this on the same kinds of products, on who's got better versions of those products? Are they doing something different and getting growth in a different way? So that's the first question. Maybe you can answer that first, and I'll ask the next one.

Mike Walsh: Yeah, let me tackle your question about the growth strategies. And so, with respect to our competitors and with respect to Westlaw, of course, we've got tremendous respect for our competitors. And they're probably better positioned to talk about their strategy and what they're doing. Let me talk about what makes us unique, and why I believe we have considerable opportunity by broadening our use cases. So Law360, for example, is a very unique proposition in delivering breaking news and events to our customers. Nobody else can do this in the marketplace, because we algorithmically find through all of our content sets, every breaking event that's happening. And then we deliver it to our customers in time for them to advise our clients or generate a new business development offering. Our proposition with Lexis+is a fully integrated solution, as we indicated, that integrates practical guidance and all of our analytic solutions. Our litigation analytics go deeper and are more precise than anything else in the marketplace. And our analytic tools, such as the one that Angela demo'd for you, Market Standards, as an example, she referenced has six times greater deals, which we got from a content set from an acquired business, Intelligize, two times the number of deal points and three times faster.

Mike Walsh: These are just some of the unique strengths that we have, and we build out. What we're doing is we keep uncovering and identifying new use cases that our customers value, and then we build out on those. Our competitors may be doing the same things in different use cases, by the way. And I think what's unique about the market now it's broadened considerably, and the ability to reach different use cases and deliver value through analytics and decision tools or some other strategy has broadened and widened. And our customers have strong demand for these areas. So, we're going to continue to expand these use cases, whether or not there's competition. Some cases, we're developing things completely from scratch. Sometimes we do have competitors who match an offering, but the opportunity to continue to extend is significant.

Adam Berlin: Thanks. Can I just ask one more question, which is, can you tell us what proportion of your US customers, firstly, take Law360 and secondly, take the new set of analytics products, just so we get a sense of where penetration is.

Mike Walsh: Yeah. So let me just start with Law360. That is the most popular current awareness solution in the market. I mentioned we have about 2 million newsletters that go out

on that. That's actually a decent proxy for the number of specific users that we have in that offering. So, it's a pretty significant offering because it's market leading. With respect to the penetration of overall analytics, and let me comment first on Lexis+, let me just comment on analytics as a whole. So, Lexis+, we launched that product in 2020. We started with law schools and it's been tremendously received in law schools. They particularly like the brief analysis tool, which is very helpful for law students as they prepare their briefs. I remember those days myself. And then we launched it to commercial market in September of 2020. The majority of our new sales to our customers are of Lexis+.

Mike Walsh: As I mentioned, we have, most of our contracts are multiyear subscription with three year terms. The majority of our renewals are in Lexis+ and the analytic solutions. So, we're working our way through our subscription base. We got faster penetrations in some segments than others. Faster penetration, for example, in small law than large law, which is more locked up in longer term contracts, but we are making our way through these.

Mike Walsh: But let me just step back and talk about the overall opportunity with analytics because Lexis+ is just an ecosystem for our various analytic offerings and they all have different rates of penetration with our customers. But if you step back from all that and say, "Well, how far penetrated are you? How far into this are you?" No more than 20 to 30% of the opportunity in this transition, do we see. So, we still have lots of runway to go and headroom in this transition.

Mike Walsh: Thank you, Adam.

Adam Berlin: Thanks very much. Thanks for your help.

Operator: We will take our next question from Matthew Walker, from Credit Suisse.

Matthew Walker: Thanks. Hi Mike.

Mike Walsh: Hi Matt.

Matthew Walker: Thanks for taking the questions. So, the first one is, obviously, of the [88] percent which is electronic, what's the percentage, which is currently what you would define as analytics? That's the first question. The second question is, a while ago, I think

law firms started to not be able to pass on costs for things like west law and Lexis to their customers under billing for research or whatever. Has that changed so that they can pass on some of the costs for these kind of products to their clients? And finally, how long roughly do you think it would take before you stepped up from two to three, how long do you think given the mix of print and analytics before you can step up to a four?

Mike Walsh: Okay, thank you. Matthew, let me take each in turn. So first on your question on the electronic business and analytics. So, it's important to note that analytics can be a standalone solution. It can be an integrated component into a package in Lexis+, and it can be an enhancement of our search and technology tools and visualisation offerings of the type that Jeff Pfeifer touched on, things like search term maps and search tree that help analytically improve the reference business. So, there's some gray shading in terms of the exact proportion of it. It's a little different. But you get an indication from the pie chart that we showed you as to how far penetrated we are in that. And as I mentioned overall, in terms of the larger opportunity, we're no more than 20 to 30% of the way there in terms of the progression into analytics and solutions.

Mike Walsh: Let me talk about cost recovery. So, as you point out, some customers have made the decision to pass on the cost of legal research to their customers. It's been a historic trend and many firms have done it. Some have chosen not to do that over time. We don't see any sort of break in trend line happening there. That's sort of a firm by firm decision and the rate at which firms do that varies by the size of the firm, the geography of the firm is located in. Sometimes there will be a geographic region that moves that way one way or the other.

Mike Walsh: Our growth is really not dependent on that trend. Our focus is on legal analytics and decision tools. Most of those are not passed on. The costs are not passed on to the customers and the customers value those very highly because they help them get their jobs done much more efficiently and effectively. And the costs of those are actually very, very small relative to the total cost of their business. For most customers, it's well less than a half percent of their revenue. So, it's a very low cost for a very high productivity gain and benefit. That's why we're seeing the pickup in demand for those types of solutions.

Mike Walsh: Let me tackle your third question, which is around the speed and pace at which our revenue growth is accelerating and progressing. And as you've seen, we've gone from 1 to 2 in '16 to '19 now up to 3% in the first three quarters and our goal and our objective is to continue to accelerate that and it's the analytics and decision tools that are driving that. There are some other factors in the market that will influence where and how, and how fast that happens, including the overall conditions in the market, et cetera. So, it's difficult to say with any degree of precision, but that is certainly our goal. And what I can tell you is that the indicators in our business, new sales, retention, usage, active users, net promoter scores, those are all nicely on the rise right now.

Matthew Walker: Okay. Thank you very much.

Mike Walsh: Yeah. Thank you, Matt. Matthew.

Operator: Once again, if you would like to ask a question, please press star, one. We'll take our next question from Rajesh Kumar from HSBC.

Rajesh Kumar: Hi, good evening. Sorry. Apologies for the background noise. I'm at an airport. I was just trying to understand the growth rate of the market. Can you unpack how, if your customer contracts are three years, what happens to those customers after the contract is over? What is your retention rate? And then when you think of growth, how do you think in terms of number of customers growth versus product per customer versus cost of product, each of that product per customer? So, if you unpack between value proposition, volume, that would be very helpful.

Mike Walsh: Yeah. So let me first talk about the market and the market growth. We have seen obviously, good recovery in the market. The market did take a pause during the pandemic, but then it's recovered nicely. And most recently, the indicators have been quite positive around the market growth. All the major practice areas are growing nicely now, such as litigation, corporate, labor and employment. And all these are supportive of the notion of the market having come back to pre-pandemic levels. And then there's some recently nice and good tailwind to go. And of course, analytics and decision tools and a demand for that is a continued important part of the market growth.

Mike Walsh: In terms of your question about disaggregating the components of growth between price and volume and package, it's a bit hard to do that in our business because we price, and we sell based on overall multi-year subscriptions based on the value that our customers are deriving and the parts of the components that they are selecting for their business. So, it's not one where you really get much of a price and a volume, a distinction. We look at multi-year deals. And when we do renew our customers, we are coming with a, typically, a nice suite of new analytic offerings for them. That makes it attractive for them to want to spend more money with us.

Mike Walsh: In terms of the questions, you had about our retention rates and our upsell rates, those are improving. They have improved nicely, and it's a reflection of the value that our customers are seeing in our workflow solutions, analytics and decision tools.

Rajesh Kumar: OK. You gave us some very helpful statistics. You said 80% of your revenues are subscription revenues, and the contracts are typically three years. So, give or take, 29% of your revenues each year are being renewed, or 28%, something like that. And there's a spot revenue of 20%. So, the 29, 28% renewal, what is the growth rate of growth? So, do you grow at say 5% at a growth level to get to a net growth rate of 2%, or do you grow at 10% growth rate to get to a net growth rate of 2%? That's the first question. And then the margin trend you have shown, clearly suggests that the growth and net growth rates are not very different. Just want to confirm that is the case.

Rajesh Kumar: And second is, when you go back for a subscription renewal, what is the nature of discussion? Are you trying to expand the scope of the contract or change the nature of the scope? Those are things we are trying to understand. Because the story sounds very exciting, but when it translates to a 2% growth, appreciate it's a subscription business, it will never be 30% like a consumer business and 2% can be quite powerful when it's compounding, but if we can flesh it out a bit more, that would be helpful.

Mike Walsh: Yeah. So let me first confirm the second question you asked, which is on the margin trend. And I will confirm, our objective is to continue to expand and to continue to have our profit growth in excess of revenue growth. In terms of your first question around the growth rates that we are getting in different customers, obviously that

varies by country. It varies by the size of customer. It looks actually quite different in a large law firm customer than it does from a government customer, a corporate customer, and a small law firm customer.

Mike Walsh: The example we gave in the materials of the customer that we showed you, in the breakdown of the transition where the growth is coming from over time, is not atypical for a large customer. We picked a typical customer example there. And you can see the 5% CAGR there over time. And that's fully including all of our solutions in it, including the declining print. But that growth is going to vary by different segments in different countries. In some countries we have different competitive positions and sometimes you'll see growth rates much higher than that. Some with different conditions you'll see, lower.

Mike Walsh: Let me talk about the new nature of the discussion on renewal. This is a good, positive discussion. We do business reviews with our customers. We bring them in, and the nature of discussion is on how can we help them further deliver better outcomes for them as customers? So, we start with their objectives and then how do we help them improve their objectives? So, we showcase some examples of how we do that, how we make them more efficient and more effective, how we help them practice better by showing them deal terms and market standards. How we help them develop faster with Law360. Those are the discussions we have, and the discussion is typically around what additional modules or functionality do they want to add on to their overall subscription.

Rajesh Kumar: Understood. Thank you.

Mike Walsh: Thank you, Rajesh.

Operator: There appears, there are no further questions at this time. Mr. Walsh, I'd like to turn the conference back to you for any additional or closing remarks.

Mike Walsh: All right. Well, thank you all for attending. We greatly appreciate the interest, and we appreciated the opportunity to showcase some of our workflow solutions, analytics and decision tools. And we look forward to connecting with you next time. Thank you.