RELX Group Trading Update Call

Thursday, 22nd October 2020

Operator's Introduction

Operator

Ladies and gentlemen, thank you for standing by and welcome to the RELX Trading Update call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session. To ask a question during the session, you will need to press star and one on your telephone keypad. I must advise you that this conference is being recorded today and I would now like to hand over the conference to your speaker, Nick Luff. Please go ahead.

RELX Group Trading Update

Nick Luff

Chief Financial Officer, RELX Group

Results summary

Thank you Sarah, good morning everybody. I'm Nick Luff, CFO of RELX and with me this morning is Colin Tennant, our Head of Investor Relations. I will make an initial introduction and then we will take your questions.

As you have seen from the statement this morning, STM, Risk and Legal, have continued to see a gradual improvement in underlying revenue growth rates since the end of the first half and the full-year outlook for these three businesses is unchanged. Exhibitions has been significantly impacted by COVID-19, of course and we now have much greater visibility on the impact on the full-year results for 2020.

Our operating cash conversion remains strong and we've continued to make selective acquisitions that support our organic growth strategies.

Scientific, Technical & Medical

In Scientific, Technical and Medical, underlying revenue growth for the nine months was 2%, in line with the prior full year and slightly ahead of the first half of 2020, with continued good growth in electronic revenues.

In primary research, we continue to see exceptionally strong growth in the number of articles submitted to our journals. Submissions to our subscription journals are up by around 25% so far this year and submissions to our open access journals have roughly doubled, driving strong growth in author-pays revenues.

We have continued new dedicated author-pays open access journals, adding around 100 new titles to the portfolio so far this year.

In databases and tools, we have seen particularly strong demand across the corporate life sciences, research management and health education segments and strong growth in many of our clinical solutions. In life sciences, Reaxys recently strengthened its content enrichment and analytics capabilities and the recent acquisition of SciBite adds enhanced text and data mining capabilities to our life sciences offering.

In academic research management, we have seen both cyber and pure growing well into double-digits.

In health education, as you would expect, we have seen strong demand for remote-learning solutions and already this year we have set up remote participation facilities for over 600 nursing schools. Sherpath, our digital courseware service, has seen strong growth and our 3D anatomy platform, acquired at the end of last year, has seen activity levels almost double.

In print books, the rate of decline has moderated but remains variable and higher than historical averages for the year to date as we enter the important fourth quarter. On the flip side, we have seen an acceleration in the long-term migration from print to digital as a result of the pandemic, with strong growth from electronic reference products.

Risk & Business Analytics

In Risk & Business Analytics, underlying revenue growth was 3% in the first nine months, in line with the position at the half year. Transactional revenues have continued to see improved growth rates in both insurance and business services since the end of the first half.

In insurance, shopping activity continues to grow well. Driven miles in the US are picking up and are now running at over 90% of pre-COVID levels, with claims volumes continuing to increase gradually. We've also seen some recovery in new driver additions, as motor vehicle offices reopen, following the closures earlier in the year.

We have continued to gain momentum in our connected car business, leveraging contributory data sets from the OEMs to offer new services to both insurance carriers and car manufacturers and the number of manufacturers contributing data continues to grow.

In business services, as you would expect, areas serving online commerce are performing strongly. We continue to see high growth in products providing services for online identity verification, fraud prevention and financial crime compliance.

Both ThreatMetrix, a provider of digital identity solutions and Emailage, a provider of email-based fraud prevention solutions, are growing in the 30% range. The integration of Emailage, which we acquired earlier this year, is now largely complete and the development of products combining new data sets is progressing well.

Subscription revenue in risk has been resilient overall. In data services, which is mainly subscription-based, some segments, such as aviation, have been impacted by COVID-19-related disruption but overall renewals are currently going well. We have also seen a step up in new sales in recent weeks, albeit we are still experiencing some delays in customer production implementations.

Our government business within Risk is performing strongly.

Legal

In Legal, underlying revenue growth was 1%, in line with the first half. Electronic revenues have continued to grow well, driven by the development and roll out of legal analytics and new, integrated functionality. In September, we launched Lexis+ in the US, using natural language processing to unite multiple legal research and analytics functions, including advanced research, practical guidance and brief analysis in a fast, modern and efficient user experience. Since launch, the response to Lexis+ from both customers and the legal press has been very positive.

As in STM, we have seen an acceleration in migration from print to digital in legal. Print revenue decline has moderated since the end of the first half, although the rate of decline for the year to date remains higher than historical averages.

Exhibitions

In Exhibitions, we have seen a reopening of venues in a number of countries. We have been able to run physical events in China since June, in Korea since July, in Japan since August, in Russia since September and in Turkey from this month. We have more events scheduled in all five of those countries between now and the year-end, as well as in Thailand and in India.

We have run some very small events in France and Austria but the main exhibition venues in Europe and the US remain closed. The events that have run have typically been smaller than their prior editions, sometimes only half the size but a few have seen higher revenues than they did last year.

To give you a sense of the level of activity, in September we held 22 physical events, with more than 4,000 exhibitors and over 200,000 visitors and satisfaction measures were generally higher for both groups. The physical events we are running are being supported by enhanced digital services, including remote participation by both exhibitors and attendees.

In addition, we have held a number of standalone virtual events, such as MIPCOM, a TV rights event, which would normally be in Cannes at this time of year but which took place entirely online just last week.

As we said in the statement, we now expect full-year revenue for exhibitions to be between £330–360 million, with most of the physical event revenue still to come this year being from Japan and China. Our costs will vary, to some extent, with the revenue but we expect costs for 2020, direct and indirect, to total between £530–540 million. We are taking action to reduce the cost base of the business and are incurring some one-off restructuring charges to do that. The cost guidance I gave excludes those one-off restructuring costs, as well as costs relating to cancelled events, most of which were already accrued in the first half, when we were rescheduling and cancelling events at very short notice.

We will now open the call to questions.

Q&A

Speaker (Company): Text text text

Speaker: Text text text

Operator: Ladies and gentlemen, we will now begin the question and answer session. As a reminder, if you wish to ask a question, please press star and one on your telephone keypad and wait for your name to be announced. Please stand by while we compile the Q&A queue. This will only take a few moments. To cancel your request, please press the hash key. Once again, ladies and gentlemen, it is star and one on your telephone keypad if you wish to ask a question.

And your first question comes from the line of Patrick Wellington from Morgan Stanley. Please ask your question.

Patrick Wellington (Morgan Stanley): Yeah, good morning everybody.

Nick Luff: Hi there[?].

Patrick Wellington: A couple of questions: at the very start you said you saw a gradual improvement in STM, Legal and Risk. Of those, only one of them actually saw an improvement over the half-year growth rate, so are you suggesting that, within the confines of the decimal points, that the – those businesses actually saw a higher growth rate in Q3 than Q2?

That's the first question. The second question is: can you give us an idea of the size of the exceptionals in the Exhibitions business?

And the third question is in the Risk business, are you – well, can you talk around that a little bit more. It sounds as if the transactional businesses are growing at above the divisional growth rate and that you've been slightly let down by the subscription businesses in this quarter. So can you kind of walk us through that dynamic? Thank you.

Nick Luff: Yeah, well I might answer the third one as part of the answer to the first one. I mean, directionally, absolutely, you're right, Patrick. As you say, STM, there was a moderation in the print declines, electronic growth continued well and you saw that, as a result, it went up from 1% growth to 2% growth. The other two – Legal had a similar dynamic, with the print declines moderating but we continue to get decent growth out of the electronic side; it just wasn't enough to change the reported growth number.

And Risk, you know, as we said, we are running slightly better than half the – what you might call the normal rate from historical averages, which is better than we said at the time of the mid-year results in July. But again, within the – within the growth rate figures, it hasn't changed. And there's a – yeah, there's a bit of a mix in there, as your question suggests, a good recovery, particularly in some of the transactional volumes. The subscription side is actually holding up pretty well but we did have some challenges with new sales earlier in the year and of course that will flow through into the numbers a bit later and there are sort of some delays, as we mentioned, in customer product implementation, which is, you know, just holding it back a bit. But overall I think, you know, it's going well and we are seeing, you know – you add it all up, there is an uptick.

Your second question was on the size of exceptionals. Yeah, I mean just to – we've got, in there – you're talking about exhibitions, of course and you know, exactly what the final presentation and accounting treatment of all these things – we'll have to see and – see what's appropriate in the context of the full-year results but the guidance we're giving does explicitly exclude the costs related to cancelled events and the restructuring charges. The cost related to cancelled events will probably be in the £60–70 million range. Of that, about £50 million was in the first – we actually accrued in the first half, so there's – obviously that was when it was more difficult, in terms of cancelling at very short notice. And the restructuring costs, add those in, you know, you will be into triple digits. We haven't yet finalised exactly how much that will be but, you know, we are looking to take a substantial chunk out of the cost base and that does involve some one-off charges to do it.

Patrick Wellington: And what level of annual savings would you expect from that restructuring cost, just as a broad indicator? £50 million? £100 million?

Nick Luff: Yeah. Yeah, we're looking to – I mean if you take the – you know, the indirect costs of the business, which are about 40% of the cost base in a normal year, then, you know, we're looking to reduce those costs by 20–25%. So, you know, that's a – at the top end of your range that you just gave.

Patrick Wellington: Great, so circa £100 million head start for next year?

Nick Luff: Yeah, clearly, you know, with that – in the environment we have, we want to make sure the business has got a cost base and is well – that's appropriate for the size of business we're running and gives it the best position to move forward from.

Patrick Wellington: Great, thank you very much.

Operator: Your next question comes from the line of Katherine Tait from Goldman Sachs. Please ask your question.

Katherine Tait (Goldman Sachs): Morning everyone. Two questions from me. Firstly, on STM, good to see the sort of acceleration over this quarter. I noticed, within the sort of detail that you gave, though, there was no sort of commentary around renewals and the sort of update there. So, curious if you can kind of give us a sense on how renewals are trending, not just the sort of submissions rates and also remind us how much of your sort of revenue within subscriptions is up for renewal over the next 12 months.

And then my second question sort of dovetails into – from Patrick's on the cost base for Exhibitions next year. Across the sort of range of different scenarios, you know, ranging from, you know, a sort of – a more profound recovery versus, you know, a sort of – a more bearish outlook on what can restart next year, how should we think about the cost base? You talked about that sort of indirect cost element coming down by 20–25%. Would you look to push that further if that was – you know, if we did see a sort of more challenging year next year? If you could just give us, sort of, some thoughts on how you're – how you're thinking about that, that would be super helpful. Thank you.

Nick Luff: Okay, so, on the first question, on STM, as you say, you know, the submissions to the journals, both subscription and author-pays, are very strong. I think, you know, good evidence of the whole sort of pace of scientific research, the information intensity of scientific research continues to increase.

Your question on renewals – and I presume you're talking specifically about the academic institutions and their subscriptions, which, of course, is about 40% of STM's overall revenue base, so just bear that in mind – they are, as you know, mostly multi-year contracts, so we do typically have between a half and a third of those contracts coming up for renewal each year. We are just – at this moment in the year, we are just entering the renewal season for most contracts and that renewal season does last several months, so it's too early to make any comments on how that is going and we'll have to see.

Just remember also that the – there's another 60% of revenue in STM and the environment there is – whether it's corporate life sciences or in the research management tools, health education, overall quite a positive environment.

Your second question was about the – RX[?] cost base. Yeah, I mean clearly the – managing the costs for different scenarios is very important. We're very focused on how we do that. Clearly the direct costs are the things that you manage based on which shows are running and making sure we stay flexible with those and for different scenarios, we'll be looking to flex those, because you can flex those – as you've seen this year, you can flex those quite quickly. It obviously takes a bit longer to manage and change the indirect cost base, so, you know, we're obviously implementing plans and getting ourselves in the right position going into 2021 on indirect costs. Clearly we'll have to look at where we are and how things progress but it does take time to adjust the indirect cost base, so the short-term focus in different scenarios is more – perhaps more on the direct costs.

Katherine Tait: Perfect, thanks very much.

Operator: Your next question comes from the line of Sami Kassab from Exane BNP Paribas. Please ask your question.

Sami Kassab (Exane BNP Paribas): Thank you very much.

Nick Luff: Hi Sami.

Sami Kassab: Good morning, Nick. Thank you very much. Three questions, if I may, as well. On Exhibitions, can you comment on how you have addressed the calendar and the scheduling of the shows for 2021 and in particular, H1? Have you moved shows that traditionally are held in H1, like, I don't know, the MIDEM or the PGA, to later dates, or are you keeping the traditional show schedule with – for 2021?

Secondly, you've referred to delays in implementations within Risk. Can you give us a little bit more colour on what type of products you're referring to or what kind of end markets are these delays referring to? Is it just aviation or other markets as well?

And lastly, an update on the ongoing subscription renewal process, not in STM but in Legal, please?

Nick Luff: Okay, so the first question is about the RX calendar. Yeah, obviously we're looking very hard at next year's calendar and what shape that should be. Yeah, we are aiming, at this point, to run, if you take the annual events – and going back to sort of 2019, the last normal year, if you like, we are aiming to run about 90% of the annual events that we ran in 2019 in 2021. The cycling is a little bit more confused because of some shows that were odd-year cycle have become even and vice versa, as we've juggled the programme but overall, looking to run most of the shows.

We are, as you suggest in your question, pushing things back in the calendar to reduce the risk and give ourselves the best opportunity to operate the event. So, of the things we have scheduled for 2021 at this point, only 10% of them – and it would normally be more like 25% – only 10% are in the first quarter and we – so we've pushed them back in the year and are managing the programme accordingly to reduce the risk profile.

Your second question was about the customer product implementations in Risk. That's mainly in data services, I think, where we're specifically pointing to but it includes things where the customer has to – you know, a lot of these products are very, very integrated into the workflow, into the processes of the customer and if you take an anti-money laundering product that a bank uses, obviously that's all machine to machine, it's having to operate in real time and it does require, therefore, the customer, the bank to make changes to their own processes and systems and ensure – embed our product and the links into our systems that are needed to do that and there's been a natural reluctance on customers, as they've moved to different working arrangements, remote working arrangements, to make significant changes to their systems. And that's easing up but, you know, the IT departments were perhaps focused on how to manage remote working for a few months, rather than dealing with, you know, product uploads and new module implementation.

So it's that sort of thing that's just slowed us down a bit but I would point it, you know [inaudible] data services and just a few things where it's very embedded.

In Legal, on the market environment there and renewals, you know, obviously the – there's less of a renewal season in Legal, it's more of a – more of a continuous process, spread across the year. It's a similar dynamic with customers on multi-year contracts, with a portion of the base coming up every year. And that is going in a normal fashion. You know, there are obviously some customers who, perhaps, you know, are in a different position to others but our sense is and you know, talking to our guys in the Legal division, they actually think the market tone is reasonably positive at the moment, so no significant news one way or the other on that.

Sami Kassab: Many, many thanks, Nick.

Operator: Your next question comes from the line of Adam Berlin from UBS. Please ask your question.

Adam Berlin (UBS): Hi Nick, thanks for taking the questions. Three from me. Firstly, on Exhibitions, do you think, if we don't have events running in North America and Europe, you'd still make a loss next year, or can you avoid a loss, even if those events don't come back?

And what do you think are the – are you seeing any positive signs that we might get some events running next year in North America and Europe? And what are you particularly looking for, from the news flow, that would get you more positive around that? So that's the first question.

The second question is: some of your peers have talked about working capital outflows because of the situation with COVID-19 and exhibitions. Can you give any updated guidance on free cash flow conversion for this year, based on what you're seeing at the moment?

And then, thirdly, just a follow-up question on STM academic renewals, I know you're still early in the renewal season but can you give us a sense of whether the tone from customers going into those renewal discussions is any different from previous years? Are they being more aggressive, asking for discounts, or is it fairly normal? Thanks.

Nick Luff: Yeah, look, the – your first question, about next year, I mean, look, the revenue mix of the business, as you know, is 20% North America, 40% Europe and 40% rest of world and the rest of world is mainly Asia and within that, mainly Japan and China. And obviously we are, as you know, already up and running in Japan and China.

Look, the 2021 mix, based on the programme we have at the moment, is – you should not – you wouldn't be surprised to know shifts a bit more towards the rest of world and Asia in particular but you know, it still only represents a bit over 40% of the total, so I'll let you do your maths as to what you need to come to any particular outcome in terms of the profit or loss of the business.

Your question on working capital outflows: yeah, there's a – I recognise the dynamic you've described. Clearly with the event programme pushed back in the year, as we – I described, then you'll likely be less of a way through the booking process as you – on 31st December and that clearly could affect working capital within the Exhibitions business. Having said that, these are relatively small numbers, so – in the context of the overall group cash conversion. So I still expect pretty decent cash conversion for the group as a whole, you know, maybe with a little bit of noise from working capital in Exhibitions.

And your final question, on STM and the renewals: you know, I'm obviously not going to comment on the – we're just not far enough into the process to make any overall comments but you know, clearly institutions are being impacted by COVID-19 and we will be supporting our customers as they work through that impact. It is quite different in scope depending on what type of institution you're talking about, depending which geography. But you know, where customers have budgetary pressure, we will look to work with them, as we always do, you know, on an individual customer basis, based on their circumstances and look to give them the choices that enable them to achieve what they're trying to achieve and to do that on terms that work for them. And in doing that, you know, we just have that overriding objective of wishing to be competitive, offering higher quality, at lower cost than the other major providers and that's the approach we'll be taking.

Adam Berlin: Thanks very much, Nick.

Operator: Your next question comes from the line of Rajesh Kumar from HSBC. Please ask your question.

Nick Luff: Morning, Rajesh.

Rajesh Kumar: Good morning – morning, thanks for taking the question. On the Risk and Legal business, can you give us some colour on the opportunities that might have come in a world that is shaped by the pandemic, in terms of, you know, fraud or other segments that might allow you to innovate?

Nick Luff: Yeah, okay. Yeah, look, I mean I think we've seen the acceleration of a number of trends that were already taking place and the shift towards more ecommerce and what, therefore, we can do, particularly around digital identity, etcetera, you know, is very clear.

I think the – the Risk business, as a whole, is well positioned. Clearly you've got some pockets of – where there are some challenges but if you look at it overall, it's performing – performing well. We – the data – the availability of data, the customers' willingness to engage with us on the potential for new products and if you take insurance, where I mentioned the connected car strategy, you know, there's a lot of interest in those products and bringing together data on people assets in an insurance context, in an identity-verification context, in fraud prevention, as you say, as more and more of commerce goes online.

So I think we remain very excited about what the – what we can do with those – you know, with the new technology, new data sets.

In Legal, the same, you know, I think the acceleration from print to digital is a good thing and once people are using digital reference products, you then have the opportunity to get the analytics products in front of them and with new natural language processing techniques, machine reading, you know, call it AI but – you know, what you – you can now do things that even a few years ago, you couldn't and the analytics you can then bring to bear on legal information is that much greater and the value you can add. And we see continued interest in those products and growth in those products and we're continuing to innovate and develop them and add value to our customers and ultimately add revenue for ourselves.

Rajesh Kumar: And so, just when you think about the future capital allocation strategy for RELX, what are the areas where you would probably deploy more capital?

Nick Luff: Yeah, look, I mean I think this is not a capital-intensive business and going after those opportunities that I just described, it's about resource allocation and organisational focus and it's rarely about capital. We actually support the internal CAPEX that is needed for product development. It's – it is very easy to approve from my perspective and we put all the capital in – around those businesses, where there are opportunities to develop products, roll out products, using new data sets, using the new analytics. But it's an organisational capacity point, rather than a – and a pace of market development, rather than us just throwing capital – more capital at it.

Clearly, on the M&A side, then, you know, our focus is on things that can bolt on and plug into our existing organic strategies and that naturally tends to go into these spaces, where it's the faster-moving areas, where we can add new data sets, new analytical tools and that's – I mean, as you've seen this year, it's been mostly into Risk, with the acquisitions of Emailage and ID Analytics in particular but we're also doing – have opportunities in Legal and STM and we've made acquisitions in those businesses as well but, you know, the – if you look back the last few years, it's Risk that has tended to take more of the overall M&A spend.

Rajesh Kumar: Thank you.

Operator: Your next question comes from the line of Matthew Walker from Credit Suisse. Please ask your question.

Matthew Walker: Thanks. Hi Nick, hi Colin. Good morning everyone. A few questions, please. The first is, on the exceptionals, can you confirm that those are going to be all cash? The second question is on the open access; you mentioned very strong growth. Can you update us on what percentage of your business is open access in STM and how fast the growth is?

And then, on Exhibitions, if you could give us an idea of the – for Asia or rest of world, what percentage of normal revenue are those events running at, on average and whether you'd expect the Exhibitions to be down year on year from the £200 million you did in the first half of 2020 because you won't have the strong Q1 and it's unlikely you get US and European events up and running in the second quarter. So do you think it's likely that the first half will actually be down and you'll have to bunch into the second half?

And then the final question is: obviously, if you look at the other information services peers, they're all doing very well, partly because they've got mortgage data. Does that make you want to go into mortgage data?

Nick Luff: Okay, so your first question was about the one-off restructuring charges and the cancelled events cost. The events – costs related to cancelled events is almost all cash – in-year cash. The restructuring charges will – some of that will fall into 2021, from a cash point of view, in terms of exactly when the cash costs fall. We expect to take the accounting and accrue for it in 2020 but some of the cash will fall into 2021.

Your second question was about open access and – yeah, look, in terms of the proportions of our business it represents, you know, whilst the growth rates are different, it hasn't – it doesn't change that quickly in one quarter, so, as I think we said at the half year, the – in terms of the proportion of articles that it represents, the author-pays open access and sponsored articles are just over 10% of the overall article count and they're a bit under that in terms of their revenue share because of the positioning within the quality tiering and how we're approaching that.

It – the open access article submissions, as you saw, roughly doubled in the first nine months of this year. I won't give an exact number on the revenue but you know, you can imagine it's therefore growing, you know, pretty fast, you know, albeit there's always a lag between when articles get submitted and when they ultimately get published.

Your third question was about Exhibitions and how the events that are running at the moment have been running. Yeah, it's quite a mixed picture. We've – I mean generally they're down on their prior editions, you know, in some cases reasonably materially. I think I said in the introduction, some are running at just half the size of normal but others are doing well. And we've even had some where the revenue is up on the prior year. So it's quite a range. It depends on the geography, the sector, how much international participation there is in the event. But, you know, generally it's – it's a mixed picture but generally lower.

Your question about the first half of 2021. I mean, look, I mean I'm not going to speculate. Clearly there's still significant uncertainty as to exactly when we'll be able to run events and we're trying to stay flexible with the programme, as I described, pushing it back in the calendar and we'll have to see where that comes out for the revenue picture for the first half of 2021.

As you point out, we had a couple of months of this year with, sort of, no disruption at the beginning but we'll see how we go through the first half of 2021 and clearly we are looking to be, by the second quarter, you know, hopefully in a better position but we'll have to see.

And your last question was about mortgage data. I mean, look, you know, we – our business has got a profile that is driven by different dynamics to others. You know, obviously, we focus on things like shopping patterns in insurance and in the underlying transactions that drive the demand for the identity verification products and the like, so it's less oriented towards the credit markets and the mortgage market in particular. You know, that's a cyclical market that's quite variable. It goes up and down but so, inevitably, you have some periods when it's strong and some periods when it isn't. But you know, that's not what we're, particularly, exposed to. So our business is focused on different areas. We think there's good growth opportunity in – across the board in what we do in the Risk business and you know, we'll focus on what we do and what we're good at.

Matthew Walker: Okay, thanks a lot. Thanks.

Nick Luff: Thanks Matthew.

Operator: Your – your next question comes from the line of Matti Littunen from Bernstein. Please ask your question.

Matti Littunen (Bernstein): Good morning. The first question, on Exhibitions –

Nick Luff: Morning.

Matti Littunen: – do you expect material revenue contribution from virtual events next year?

And then, another one on Exhibitions. So, considering that the Olympics still appear to be taking place next summer and some of the venues that originally were scheduled to be part of the Olympics are again, you know, signed up for it, do you expect disruption from event venues, like big sites in Tokyo, being requisitioned that way for the events schedule in Asia?

And then finally, on Risk, you mentioned the data set coming in from automotive OEMs, you know, data coming from cars. Previously you've said that the bulk of the data behind, you know, the LexisNexis Risk Solutions products comes from public records. Do you think there's a shift towards more non-public data in that business? Thank you.

Nick Luff: Yeah, okay. So, the first question was about Exhibitions and virtual events. Yeah, we have been holding virtual events this year. I mentioned one in the introduction and those have been well received. I think they've been a – we've been experimenting with different things and different ways of doing that, experimenting with different experiences for the attendees and the exhibitors and different revenue models.

Clearly, in 2020, the revenue from that won't be that material, in the context of the overall financials but it's an important development and keeping a presence in the market. What happens in 2021 will, of course, depend on our ability to hold physical events. And of course our preference would be to be able to hold the events physically. We will look to enhance those and add digital capabilities around them and we've already seen that in the events we're running in Japan and China, where the concept that you can attend the physical event, either as an exhibitor or as a visitor but attend that in a virtual way, is definitely there and something that's worked very well, so we may see more of that. But the extent to which we're running standalone virtual events next year will clearly depend on the – what happens around the physical events.

Your second question, about the Olympics and – I mean it is specifically Tokyo, a big site, that is the – which you refer to, which is the big exhibition hall in Tokyo, which is being used as one of the – it's actually being used as a media centre for the Olympics. That does mean that the – the lack of venue availability that we were expecting in 2020 actually has now shifted to 2021, so we are having to work around that. We have been aware of that, of course, for many years, although it's now in a different year to what we were expecting. So we've been developing, in markets outside of Tokyo, the ability to hold – move some of the events to other locations, other cities and indeed move things in the calendar, as we did this year, so we actually dragged forward some events that would normally take place in the middle of the year into January, February into Tokyo this year, which, of course, in the end, proved to be a good thing to have done.

So, we'll have to manage our way through that and around that but it's something that is, you know, well known and something we all sort of had a dull plan and preparation around for – in 2020 already.

Your third question was about the – noting the, you know, information with cars and about the data sources in Risk. I think it's been – whilst the public records part of the data sources for Risk has been very important for a number of years, it is – for some has been only one – is just one of the data sources, so we have public record information, we have licensing data, we have contributory data, you know, that comes from customers and it's actually the power and the value add that we can do by applying the analytics to those data sources is through the combinations, actually. And you know, we've, clearly, in recent times, been adding new data sets, like the device identity information from ThreatMetrix, now the email-based information from Emailage, the connected car information that you talk about. And it's the combination and the insight you can get through combining that with our existing data sources that can really add significant value. And that's – so we're constantly seeking and looking at expanding the range of data but that's right across public record, contributed data, licensing data and self-generated data. It's – all sources are important.

Matti Littunen: Very helpful, thank you Nick.

Operator: Your next question comes from the line of Tom Singlehurst from Citi. Please ask your question.

Tom Singlehurst (Citi): Good morning, it's Tom here from Citi. Thanks for –

Nick Luff: Hi Tom.

Tom Singlehurst: – taking the question. I think I know the answer to it but I'll ask anyway: when you're talking about the renewals within academic, it sounds like you're taking a client-by-client approach, so I presume that means you're eschewing any sort of notion of just blanket, flat pricing for 2021 like some of your peers? That was the first question.

The second question was we've seen a comment from the University of California saying negotiations are back on for a transformative deal. Can you – you're clearly not going to tell us whether that's going to happen and when it's going to happen but can you at least tell us what the revenue contribution was when they last were contributing revenue, which I think would have been 2018?

And then, the final question, I'll be surprised if I get a clean answer out of you, given it's a nine-month trading update and Erik is not on the line but, you know, I'd love your perspective on whether you think having an Exhibitions business is worth all the hassle, given it is so very fundamentally different from the rest of the group's activities and what's happened over the last six months is a big reminder of its inherent cyclicality versus the defensiveness of the rest of the portfolio. Thank you.

Nick Luff: Yeah, thank you Tom. Look, I'll try and give you the best answers I can to those. STM pricing: look, our approach and philosophy on pricing in all of our businesses but STM very much so, is about providing better and better value all the time. And you know, the volumes, as you know and have seen – the volumes that we handle and the we – whether it's the journals part of the business or in the other areas – has ben going up faster than revenue and you can see from that, the actual – the pricing in terms of the cost per unit for the customer base is coming down all the time and that's our objective. We want to make sure we continue to be competitive, offering higher quality than our major competitors and doing that at a lower effective cost. And that's the philosophy and something we'll continue. As you say, in the renewal process for the academic journals in particular, then we will work on a customer-by-customer basis and we'll work with them to provide them what they need on terms that work for them and that's our objective.

I think, on your second question on the – it was about negotiations and you mentioned one particular customer, look, I – as you anticipated, we're not going to comment on individual customers. Clearly our objective is to serve all research institutions and all researchers and we interact with customers and potential customers as much as we can and we'll see where those go in terms of overall discussions. We wouldn't comment on the revenue generation or precise nature of discussions with any one particular party.

And your third question, which even – even though Erik's not on the line, let me see if I can tackle it: the Exhibition business. Look, I mean, yeah, we've always recognised that the Exhibition business carries event risk, if you like and it carries the risk of disruption. We've seen things in the past: SARS, ash clouds, things like that. Clearly this is very unusual in being something that's disrupted a very large part of the business for quite a long, extended period but it is still a valuable business. And you know, we, I think, judging by the demand we've had and the response we've had from the shows we have been able to run, the – the exhibitors wanting us to run shows in other markets, if at all possible, I think we continue to see the value in face-to-face interaction. And you know, we have been good owners of this business. It's been developed largely organically under our ownership. We see potential for adding more value to it through bringing more digital and data skills to bear in the industry. But clearly, in the immediate term, the focus is on recovery and getting the business through what is a challenging period and going from there.

Tom Singlehurst: Very clear, thank you. Worth a go.

Nick Luff: Thank you Tom.

Operator: Your next question comes from the line of Hans Slottem from DIGM[?]. Please ask your question.

Hans Slottem (DIGM)[?]: Good morning –

Nick Luff: Hi.

Hans Slottem: Good morning all. Sorry to ask you a question that has been asked again but the Operator asked for the spelling of my name, so I missed a crucial part when you discussed the restructuring cost of the Exhibitions. Was it a triple-digit number for the restructuring? Or was it a triple-digit number for the one-offs as a whole? That's my first question.

The second question is: how long are exhibitors booking exhibitions in advance? Is it fair to assume that that is, let's say, a half-year, three-quarters of a year in advance? If I'm right, does that include that – suppose that the pandemic takes longer, that like for that[?] – you won't organise any events in the first quarter, maybe not in the second quarter either, that people have – will begin to reallocate marketing budgets to other purposes, instead of attending, like sales.

And then my third question would be: you discussed virtual events. You said, 'It's not going to be a major part of our revenues in 2021.' If I look at the 2019 annual report then online revenues in Exhibitions accounted for roughly 4% of total income in that division. Can you perhaps say whether that has grown and what this online revenue really is? Thank you.

Nick Luff: Yeah. So, your first question about the one-off costs in Exhibitions: I was referring to the combined costs relating to cancelled events and the restructuring charges combined being into triple digits.

Hans Slottem: Okay.

Nick Luff: That was the guidance we were giving. Your question about advanced booking in exhibitions: look, you know, we – there's a reasonably long sales cycle in Exhibitions. We clearly would prefer to have as much certainty as possible around a physical event taking place. Pushing the events back in the calendar, in 2021, as we've been doing, is a way of giving ourselves a longer selling cycle. So, you know, that will help with that process. There has been a reasonable degree of rollover from people who booked to come to this year's event, which, when we've not been able to hold it, rolled over their booking into next year. So there's a – that will again help the picture but we clearly want – the longest, clear, certain selling cycle we've got, the better.

I think, to your point about where people spend, it's all about value and people – these are, you know, mostly B2B events where the exhibitors see significant value from coming, being able to get to a wider audience, to meet potential buyers, to – for potential buyers to see their products. And if there's value there, they will continue to come. So I think we feel confident that face to face will remain an important part of the selling process for many, many industries. It clearly will vary from sector to sector and – as it has done over the years anyway and it's incumbent on us to adapt our business and evolve and focus on the areas where we can add most value to the physical event.

And your question about electronic revenues, that we – you obviously picked up the number for 2019. Clearly, in 2020, it will be higher because the – because the overall revenue has – you know, the revenue from physical events hasn't been there in the normal way. What is in that electronic revenue includes some platform – platform revenue, where we've got an electronic platform associated with a periodic event that's operating – well, the electronic platform is operating all the time. It also includes electronic services directly linked to the physical event, such as the remote attendance that I was describing.

So, you know, that's something we've been developing anyway and we'll continue to develop as we get into the – into 2021.

Hans Slottem: Is it correct to assume that the absolute number of online revenues this year is higher than last year's as well?

Nick Luff: Yeah, I think I – it depends exactly what you include in that. I mean clearly some digital revenues are linked and are only earned when the physical event takes place, so, you know, it will be a mix. Clearly, revenue from standalone virtual events is definitely higher.

Hans Slottem: Yeah, okay. Thank you.

Operator: There are no further questions at this time, please continue.

Nick Luff: Okay, if there are no further questions, thank you for your – joining us today. I'm sure, if you need to follow up with Colin at all, you can do that but thanks for joining us. Thank you Operator.

Operator: That does conclude our conference for today. Thank you for participating, you may all disconnect.

[END OF TRANSCRIPT]