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# RELX Plc (RELX)

Q2 2020 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by, and welcome to the RELX Interim Results 2020 Conference Call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session. [Operator Instructions]

I would now like to hand the conference over to your first speaker today, Sir Anthony Habgood, Chair. Please go ahead, sir.

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**Anthony John Habgood**

*Chairman, RELX Plc*

Thank you. Good morning, everyone, and welcome and thank you for joining our 2020 interim presentation, which for the first time for RELX is by [indiscernible] (0:39). Despite the challenging environment from around mid-March onwards, we have continued to pursue our strategic priorities successfully. Our three largest business areas; STM, Risk, and Legal together grew sterling revenue and adjusted operating profit, and all three individually grew both underlying revenue and underlying adjusted operating profit.

The whole organization responded extraordinarily well and rose to the challenge of maintaining high levels of customer service in hugely changed working conditions. With almost everyone working remotely at the peak, this was a remarkable achievement and is a testament to the quality and dedication of our staff around the world. I

hope you will all also agree with me that this was a commendable financial result across about 85% of the company.

Our Exhibitions business was hard hit by the COVID-19 pandemic and, because of COVID-related restrictions, suffered an almost total lack of revenue for three months. It also inevitably went into loss, which caused our adjusted earnings per share to be 19% lower than last year at £0.37. Given the resilience of our three largest business areas and our strong financial position and cash flow, we have maintained our interim dividend of last year's level of £0.136 per share.

Our long history of strong ESG performance, much of which has been in areas where we can use our skills to make a unique contribution, was again enhanced by the actions of Elsevier during the first half. Since January, Elsevier has mobilized all of its research content, data analytics know-how and the clinical insights to support the scientific and medical response to the COVID-19 pandemic. Elsevier's novel coronavirus information center provides researchers with free access to over 36,000 articles. And to-date, the number of article downloads from our free coronavirus content offering exceeds 100 million.

So, thank you, all, for listening. Erik and Nick will now take you through the interim results in detail. Erik?

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## Erik N. Engstrom

*Chief Executive Officer & Executive Director, RELX Plc*

Thank you, Anthony. Good morning, everybody. Thank you for taking the time to join us on our call today. As you've probably seen from our press release this morning, our three largest business areas, which together accounted for 84% of revenue and 87% of operating profit in the full-year 2019, have held up well. All three delivered positive underlying revenue growth and adjusted operating profit growth in the first half, with cash conversion rates in line with recent years.

Our Exhibitions business has been significantly impacted by COVID-19 with a decline in revenue and a move into an operating loss for the first half. Throughout the pandemic, our first priority has been the health and safety of our colleagues, our customers and the wider community in which we operate.

In our three largest business areas, we maintain product and service quality at high levels, and our Exhibitions business has responded well to a challenging environment. We have also continued to make progress on our key strategic and operational priorities, with our primary focus on the organic development of increasingly sophisticated analytics and decision tools, supported by selective acquisitions.

Looking at our revenue by format, you can see a consistent pattern across all of our business areas. Electronic revenue, which accounted for 87% of the first half total for the group, continued to grow well in all business areas at 3% to 4% underlying. Print revenue, which accounted for 7% of the first half total, declined at a steeper-than-historical rate across all business areas, with print down by 17% underlying in STM and down by 19% in Legal. Face-to-face revenue in the Exhibitions business declined by over 70% and face-to-face events in the other divisions, although very small, also declined dramatically.

STM delivered underlying revenue growth of 1% in the first half, with growth in electronic revenues of 4%, partly offset by a higher-than-historical rate of decline in print revenue of 17%. In primary research, both subscription renewal completion rates and new sales are in line with recent years so far this year.

Growth in article submissions for both our subscription and open-access journals accelerated, with a total of 1.3 million article submissions in the first half. Submissions to our subscription journals grew by over 25% and

submission to our expanded open-access publishing program, which now includes over 430 dedicated journals, almost doubled for the second year in a row. Databases & tools continue to drive growth across market segments through content development and enhanced functionality.

The print book revenue decline of 20% was steeper than in recent years, primarily due to distribution issues caused by COVID-19. Going forward, whilst we could see some ongoing impacts from the COVID-19 pandemic in our customer markets and restrictions on movement could continue to impact our ability to conduct new sales in person and distribute print products, overall revenue stability is supported by over 75% being subscription-based.

Risk & Business Analytics saw online revenue growth of 3% in a recovering market environment. Subscription revenue, which accounts around 40% of the total, saw only a limited impact from COVID-19 in the first half. Transactional revenue, which account for 60% of the total, softened and became more volatile following the introduction of restrictions of movements in the US in March. Overall transactional revenue, which was growing in the high-single digits in January and February, fell in mid-March before starting to recover in mid-April, with return to growth during May and a continued improvement in June.

In Insurance, where transactional revenue accounts for over 90% of the total, transactional volumes have improved since mid-April with growth rate in shopping activity returning to pre-COVID-19 levels first. Driving activity and claims volumes are increasing more gradually and are still below pre-COVID-19 levels.

In Business Services, where transactional revenue accounts for over 60% of the total, transactional growth rates have returned to pre-COVID-19 levels in several segments such as fraud prevention, with a more gradual recovery in some other areas.

In Data Services, where subscription accounts for over 80% of revenues, COVID-19-related restrictions have impacted our different customer industry segments to varying degrees, and we're continuing to see some impact on new subscription sales and delays in product implementations by some customers.

Going forward, the current run rate for underlying revenue growth is around half the growth rate of recent years. The full-year outcome remains dependent on the pace of recovery in business activity in the US and on the level of transactional activity in our customer markets.

Legal delivered positive underlying revenue growth of 1% in the first half, despite COVID-19-related print declines. Electronic revenue, which accounted for 88% of the total, grew by 4% in the first half, reflecting a strong start to the year and good growth in legal analytics, enabled in part by the completion of the new platform rollout.

Print revenue, which accounted for 12% of the total, saw significantly steeper declines than in recent years at 19%, reflecting supply disruption and temporary customer office closures associated with COVID-19. Underlying profit growth was well ahead of revenue growth, reflecting continued efficiency gains with dilution from recent portfolio effect resulting in an unchanged operating profit margin.

New sales saw a dip in March and April, reflecting impact of COVID-19 on the legal services industry, but has subsequently recovered to pre-COVID levels. Going forward, the rate of growth will be dependent on the pace of recovering the legal services industry and on our ability to conduct new sales in person and distribute print products. But overall revenue stability is supported by nearly 80% being subscription-based.

Exhibitions was significantly impacted by COVID-19 in the first half. Events representing around 15% of expected full-year revenue took place in the January to mid-March period before the closure of many venues. No events

took place between mid-March and early June. Events representing around 20% of expected revenue that were due to take place in the first half are now being postponed until later in the year. Events representing around 30% are still scheduled for the second half, as originally planned, with a further 5% being rescheduled into 2021 and around 30% have been canceled.

The disruption to our customers caused by COVID-19 has been significant, and we have responded by accelerating the rate of digital experimentation in order to enable interaction among event participants and to support the brand value of our exhibitions.

Our second-half exhibitions program has been launched this week with several events in China and one in Korea having opened successfully in the past few days. Going forward, depending on the impact and duration of the restrictions resulting from the COVID-19 pandemic, further rescheduling or cancelation of events may be necessary, making the full-year outlook highly uncertain.

In the first half, we continued to reshape our portfolio through selective acquisitions. We completed seven transactions for a total consideration of £720 million, the largest of which was Emailage, a provider of e-mail-based fraud prevention solution which complements ThreatMetrix, adding powerful new contributory data sets and analytics to our digital identity solutions. These have continued to grow rapidly throughout the past few months, with ThreatMetrix running at close to 30% growth and Emailage growing even faster.

I will now hand over to Nick Luff, our CFO, who will talk you through our results in more detail. I will be back afterwards for a quick wrap up and our usual Q&A.

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## Nicholas L. Luff

*Chief Financial Officer & Executive Director, RELX Plc*

Thank you, Erik. Good morning, everyone, and let me start by providing more detail on the financial highlights.

Revenue at constant currency declined by 12% in the first half. Adjusted operating profit declined by 27% at constant currency, resulting in an adjusted operating margin of 26.8%, all driven by the drop in revenue and the operating loss in Exhibitions, of course.

Adjusted earnings per share declined by 23% at constant currency, reflecting the fall in profits, slightly offset by the impact of the share buyback program. Cash flow conversion was strong at 103%. Leverage at the period end was 3.2 times including leases and pensions, up from 2.5 times at the year-end, again, driven by the loss in Exhibitions.

The interim dividend payable in September is unchanged at £0.136. On the share buyback, we had deployed £150 million when the program was suspended in April, and we've confirmed today that the board does not intend to resume the program this year.

Revenue; the three largest business areas, Scientific, Technical & Medical, Risk & Business Analytics and Legal continued to deliver underlying revenue growth. There was a small drag in STM and Legal from portfolio changes, and a bit of help from currency in all three businesses. Growth in the three businesses was more than offset by the reduction in revenue from Exhibitions. We haven't shown any underlying measures for Exhibitions for the group. Given the extent of event cancelations and postponements, underlying measures are not meaningful. But you can see the scale of the overall revenue drop for Exhibitions and how that brought group revenue down to £3.5 billion, a decline of 10%, or 12% at constant currency.

STM and R&BA delivered underlying adjusted operating profit growth in line with or slightly ahead of the underlying revenue growth, with cost action taken in reaction to the slower revenue growth compared to the full year last year.

Legal's underlying profit growth was aided by continued efficiency gains and cost action taken in response to the steeper drop in print revenues. Portfolio effects were a small drive in profits for STM and R&BA, and a larger one for legal, where we lost the profit contribution from some software businesses that we sold last year.

With sterling being weaker against the dollar than in H1 2019, currency was a help to profit growth in all three businesses. Exhibitions reported an adjusted loss of £117 million compared to a profit of £231 million in the first half of last year. The Exhibitions' loss drove the group adjusted operating profit down to £939 million, a drop of 24%, or 27% at constant currency.

Turning to margins, although STM's underlying profit growth was in line with underlying revenue growth, margins were higher as they benefited from exchange rate movements, including on the hedge book. R&BA saw a small increase in margin and Legal reported margin was flat as strong underlying profit growth was offset by dilution from portfolio effects. At the group level, the loss in Exhibitions resulted in a 5.1 percentage point reduction in the total margin to 26.8%.

Here is the group-level income statement and, again, you can see the impact of Exhibitions on both revenues and operating profits. The adjusted net interest charge was £81 million, well below H1 2019. That reflects the lower effective interest rate on gross debt of 2.2%, down from 3.1% in the prior period. The adjusted tax charge was £151 million. Adjusted effective tax rate was 17.6% with reduction from the prior period due to a number of one-off credits this year, including some benefit from the relaxation of interest deductibility restrictions in the US.

Adjusted net profit is £713 million. It was down 24% at constant currency. Reported net profit, including acquired intangibles' amortization and disposal gains, was £548 million. £0.37 adjusted earnings per share were down 19%, or 23% at constant currency. Reported EPS was £0.284.

Cash flow was also impacted by the loss in Exhibitions, which flowed through to EBITDA, albeit the drop in cash was less than the drop in profit. Group CapEx was £168 million, equivalent to 5% of revenue, in line with the previous full year. Cash flow conversion was strong at 103%. Cash flow conversion rates in the three largest business areas were in line with recent years, with the group figure impacted by the dynamics of cash versus profit for Exhibitions.

Interest paid was £115 million with a difference from adjusted interest expense primarily reflecting the cash element of the charge on early redemption of some long-term bonds. You will remember that we announced an early bond redemption last December and the accounting charge for that wasn't recognized until 2019, with the bonds redeemed and cash flowing in January 2020.

Tax paid, excluding tax relief and acquisition-related cost and disposals, was £227 million with the reduction reflecting the lower tax charge for the period, albeit some of the cash benefit from the lower tax charge will be realized in later periods. Total free cash flow was £596 million.

In terms of uses of free cash flow, acquisition spend was £720 million, including most significantly Emailage and ID Analytics within R&BA. Total dividend payment was £617 million and you can see the £150 million spend on the share buyback that I mentioned earlier. Sterling fell against the dollar during the first half, increasing net debt expressed in sterling by £415 million. Overall net debt at the end of June was £7.5 billion.

Leverage, which we calculate in US dollars, was 3.2 times including leases and pensions, or 2.8 times when you exclude them. The leverage calculation uses 12-month trailing EBITDA. So it covers the second half of 2019 which was unaffected by COVID, plus the six months of 2020 which includes the H1 operating loss for Exhibitions which has, of course, pushed up the ratio.

Come year-end, the ratio will be based on full-year EBITDA with both halves impacted by COVID. On the other hand, debt levels will benefit from the dividend outflow being less in the second half and there being no share buyback, as well as what looks like at this point lower M&A spend. Looking further forward, we would expect to bring leverage back towards our historic range over the next year or two.

During the first half, we completed two terms of issues, €2 billion with maturities between 4 and 12 years and a blended coupon of just over 0.4% and \$750 million with maturity of 10 years and a coupon of 3%. In addition to our bond funding, the group has access to committed bank facilities aggregating over \$3.5 billion, all of which are undrawn and \$2.9 billion of which does not mature until 2023 or 2024.

We can use these committed facilities or commercial paper backed by them to fund the remaining debt maturities this year and next, while still maintaining substantial liquidity headroom. So, although bond markets remain very much open for us, if we had to, we could wait several years before needing to issue again. As I mentioned earlier, the effective interest rate on gross borrowings was 2.2% in the first half of 2020, 90 basis points lower than the first half of 2019, reflecting the benefit of refinancing historical bonds that had higher rates of interest.

Finally, I want to just talk you through some of the dynamics around Exhibitions for the rest of the year, firstly in terms of the event schedule and then overall revenue and costs. This job is similar to the one Erik talked earlier, which was a breakdown of 2020 events based on our originally expected revenue for the year. It also shows the number of events that fall into each category.

When we look at 2020, we are comparing to our originally expected revenues at constant 2019 exchange rates and including around 5 percentage points of positive events cycling, which impacts both revenue and costs. As you can see, events representing around 50% of originally expected revenue are currently scheduled to take place in the second half either in their original slot or having been postponed from earlier in the year. Clearly, there remain significant uncertainties to which of these remaining events will run and what revenue attrition we may suffer on those that do.

This next chart shows you where and when those remaining events are scheduled to take place. July and August have very limited activity, but events scheduled for those ones are focused on Asia, including the ones running right now that Erik mentioned. As you can see, there were no significant events scheduled to take place in Europe until September, and October is the key month for North America.

Looking at the income statement, in full-year 2019, we generated just under £1.3 billion of revenue and an operating profit of £331 million. Of that, £48 million came from joint ventures. So the overall cost base of our business was £986 million. We are taking action to save costs. And based on our current event schedule, at constant currency, we would expect savings in direct and indirect cost totaling around £300 million for the full year. That is against our originally expected cost base, which would have increased from 2019 due to cycling effects.

With that, I will hand you back to Erik.



## Erik N. Engstrom

*Chief Executive Officer & Executive Director, RELX Plc*

Thank you, Nick. Just to summarize what we covered this morning, our three largest business areas are holding up well, and again delivered underlying revenue growth and underlying adjusted operating profit growth in the first half. The full-year outlook for the impact of COVID-19 varies by customer market.

Our Exhibitions business has been significantly impacted by COVID-19 and the outlook for the remainder 2020 for this business area remains highly uncertain.

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

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## QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] Your first question comes from the line of Nick Dempsey from Barclays. Please ask your question.

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### Nick Dempsey

*Analyst, Barclays Capital Securities Ltd.*

Q

Hey. Good morning, guys. First off on STM, some speculation about the financial health of simply US universities and the impact that that might be on renewals, new sales, et cetera, into 2021 and probably 2022. Can you just give us an indication of what your sales force are hearing as US universities in particular are going through financially difficult times? And what your initial thoughts are on the potential scale of the impact on your journals business specifically you saw at STM?

Second question, Erik, can you just give us a little more color on the business services situation at Risk & Business Analytics? I think you noted fraud is doing well, other areas slower to recover. Can you just tell us which area is recovering more slowly and what you're looking at to consider the likely trajectory of recovery there?

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### Erik N. Engstrom

*Chief Executive Officer & Executive Director, RELX Plc*

A

Okay. So, first of all in STM, I mean, as you know, we think of ourselves as a service provider across all our different market segments. And, therefore, in each different segment, we sort of work with the segment to adjust their cycles and how they manage their industry. In the STM business, for what you're talking about here which I think is primarily, right, related to the primary research subscription business, that's very much an annual business.

And most of our 14,000 institutional customers work on sort of calendar year cycle, even though some are on slightly different cycles. That means, at this point, we adjust in the absolute final phase of closing out last year, so – which is basically done, but that's where we're closing out. And we haven't yet even started to look at the next cycle in any material way around the world. So it's too early to call what is happening going forward.

However, I think it's interesting to note that part of the journals we own have been around for almost 200 years. And during that time period, we have seen a significant number of difficult economic period, time periods and challenges for our different customer groups. And our approach has been and will continue to be to make sure that we engage directly with our different customers and make sure we fully understand their changing situation, if



it is changing, their changing research priorities, and what we can do to help them reach those objectives and make progress on those priorities in a way that is appropriate for them given their changing situation.

What that is at this point, we don't know. And we're also in the middle of the pandemic, of course. I think it's also interesting to see how this will shift the scientific and research priorities in the world, given the increased emphasis on medical and clinical research. So, there are some areas that are going through a very busy period and certainly stepping up their efforts at the moment as well. But I think it's way too early for us to have a view on what that means for next year for US universities as you asked.

The Risk situation, which ones are recovering faster, which ones more slowly, anything that relates to digital solution have continued to perform well during the time period and anything that relates to online digital services, those industries have done well.

The industry segments that have done less well and continue to lag a little bit are, of course, industries that are dependent on physical retail or physical sort of hospitality and travel sectors. Those are some illustrations of what's lagging at this point and we will expect to lag in recovery. But, overall, after a dip between March and April, the Risk area has recovered very well and has continued on a good trajectory all the way till now and you have heard how our run rate is at the moment.

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**Nick Dempsey**

*Analyst, Barclays Capital Securities Ltd.*



Thank you.

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

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**Katherine Tait**

*Analyst, Goldman Sachs*



Good morning, everyone. Couple of questions from me. First on STM, how much of the growth in your open access revenues that you sort of talked about is attributable to open access-only journals versus the subscription journals that offer hybrid options? And on those subscription journals that do offer hybrid options, can you help us understand what proportion of articles are – or articles being submitted are choosing to pay those APCs and go open access?

Then on Exhibitions, you touched briefly on the sort of virtualization and digitization opportunities. Can you give us perhaps a few concrete examples of what you've been doing in this space? Are there any exhibitions that you have been able to fully translate over to sort of virtualization? And any help in terms of understanding the monetization of those or the monetization potential of those going forward sort of would be very helpful.

And then, finally, just on Legal and I suppose some of the other subscription revenues as well, can you just give us a sense on the average contract lengths of these annual contracts or three-year contracts? How should we think about that? Thanks very much.

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**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*



Okay. So I'm going to let Nick answer the second one later. But let me start with the first one on STM. The growth in open access, the rapid growth is and the growth rate we talked about in submissions too that they have

doubled now in the first half again for the second year in a row. Those are submissions to our stand-alone open-access journals and not counting what's going on in our submission journals because when you submit you don't indicate your payment model. So, the stand-alone open access is growing very rapidly. And that's, therefore, the majority of the growth.

You said in our subscription journals, which also accepts that open-access-sponsored articles that you referred to as hybrid journals, just many – a couple of thousand. It's a very, very small portion that are open-access article. I mean, order of magnitude, we're talking about low-single-digit percent as an overall ratio, right? It's a few percent, right? So, it's very small. It's growing but it's not growing at the same rate nearly as the stand-alone open-access journals.

So, Nick, do you want to cover Exhibitions?

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**Nicholas L. Luff**

*Chief Financial Officer & Executive Director, RELX Plc*

A

Yeah. Katherine, hi. I mean we are, as you say, looking at various things that we can do to continue to serve customers whilst being unable to hold the face-to-face events. We held a number of webinars that I think were at 400 we've held, which have had very good attendance. We've done some virtual exhibitions where live, the exhibitors will effectively be online whilst the attendees, again live, would be walking through in a virtual sense the exhibition, arranging, looking at stands, and then interacting and having virtual meetings and setting up meetings, doing that sort of thing. We did that for the Arabian Travel Market, for example, which I think we had something over 3,000 exhibitors for that and 12,000 attendees who came and attended the show and the event in a virtual way.

So, lots of things going on, lots of things we're trying to serve, and it's different depending on which segment you're looking at. I think it's fair to say that the initial revenues from those when you get the monetization are limited. And we are experimenting. We are doing things to continue to provide a service in the absence of a face-to-face event, but we're experimenting with different payment models and different ways of monetization. But it's early days on those I think it's fair to say.

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**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*

A

And the last question you had was, if I understood it right, was Legal.

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**Nicholas L. Luff**

*Chief Financial Officer & Executive Director, RELX Plc*

A

On contract length, yeah.

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**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*

A

The length of contract. The typical legal contract is multiyear, and the typical length would be a three-year contract for the larger law firms and the ones that have in-depth negotiations. When it comes to smaller institutes, smaller customers, smaller firms, and corporate and so on, often it can be shorter than that and some have annual renewals as well. But the vast majority of our subscriptions are multiyear, and three-year is probably the average.

**Katherine Tait**

*Analyst, Goldman Sachs*



Perfect. Thank you very much.

**Operator:** And your next question comes from the line of Patrick Wellington from Morgan Stanley. Please ask your question.

**Patrick Wellington**

*Analyst, Morgan Stanley & Co. International Plc*



Yeah. Morning, everybody. A couple of questions. Just looking at the Exhibitions business, you talked about £300 million of cost savings and you've given us an idea of how the revenue might look in the second half. But clearly, many of those shows can be canceled. So, can you tell us a little bit more about where that £300 million cost-save number might go to and how we should think about the second half? You got those shows coming up in October.

My understanding is that if you want to avoid venue costs, you have to cancel eight weeks or so in advance. So, we are looking at it from the outside. Do you think we'll see that progression of event handling, if you like, and the handling of that cost base in the second half? I guess my core question here is you've lost £117 million in the first half in Exhibitions. Could you lose another £117 million in the second half? That's my first question.

My second question just goes back to the STM business and print and this could go to the Legal business as well. Do you think that there should be a recovery in print's volumes in the second half now that presumably distribution is easier to carry out?

**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*



Okay. I'm going to ask Nick to cover the Exhibitions question, but let me first just answer briefly the print question. Yeah. The situation is, as you mentioned, broadly similar in STM and Legal, which is that as the lockdowns happened across the world, most of them starting during the month of March, print distribution by itself became an issue and, in some cases, the customers that wanted it or thought they wanted it weren't even ready to receive it. So we had a bit of a disruptive period where there were delays and it was difficult. Towards the end of this time period of the first half, it has improved somewhat, but there's also seasonality in print which we said is, in particular, in STM. It's slightly larger in the second half.

So, we don't know what will happen to lockdowns and so on. But it seems like the practical distribution issues look like they should be getting better at this moment than they were at the worst time in the first half. What that means exactly in present is very hard to predict. But you would think that the distribution issues should be less of a challenge in the current situation.

**Nicholas L. Luff**

*Chief Financial Officer & Executive Director, RELX Plc*



And, Patrick, on your question about Exhibitions, yeah, the £300 million of cost savings, of course, most of that comes from not running shows, so it's mostly direct costs. And generally speaking, you can say – depending how far out you are, you can save most of the costs. Venue costs in particular, the venue – we have long-term relationships with the venue providers. They're typically trying to work with us. They would like to hold the shows as much as we would and very collaboratively trying to work out what's the best to do and rescheduling and

moving deposits we might have paid to future events and so on. And typically that's been doable and we've managed to make that work and some of that £300 million comes from that.

As we look into the second half, clearly, whether we can save more will depend largely on how many shows we do end up running and indeed how far out we are when we make that decision not to run, as you rightly say. We are biased towards doing everything that we can to run these events, and we'll try as hard as we can to – our customers are very keen for us to have a presence in the market and they want to conduct their business. So we'll do everything we can to run events where we can do so safely and add value to the customers.

So, we will try to do that, but that does mean you risk some late cancelations. But generally speaking, we can make that work. We may incur some more costs, but we can make that work with the venue. But I think you have to take a – if you're trying to take a view on what could happen in the second half, then, clearly, you'd have to take a view on how many shows will run, what the revenue attrition might be on those shows. And once you've plugged in our £300 million of cost savings, what additional we might say if we don't run quite so many shows.

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**Patrick Wellington**

*Analyst, Morgan Stanley & Co. International Plc*

Q

I mean, I guess you will have some revenue in the second half which you didn't have in the second quarter, and you've obviously got, if you like, more warning of the need potentially to cancel shows. So, one would have thought that your run rate of profitability would be better in the second half than the first half. Is that fair?

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**Nicholas L. Luff**

*Chief Financial Officer & Executive Director, RELX Plc*

A

Well, I think the first half clearly is a tale of the first 10 weeks when we are running largely normally and then the remaining, whatever it is, 16 weeks where we weren't running at all. So, now – or virtually not running at all. Now, clearly, as you say, we have got some revenue in the second half. We're running some shows right now. But the outlook as you saw from the chart, the shows are concentrated in September, October, November period. So we'll have to see when we get there whether we're able to run those shows or not and how much revenue we can generate.

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**Patrick Wellington**

*Analyst, Morgan Stanley & Co. International Plc*

Q

Okay. And a quick structural one. Do you think your exhibition customers are finding something else to do, given that they can't attend the exhibitions, i.e., do you think that there's sort of structural challenge to the exhibitions because of that marketing spend potentially being diverted perhaps permanently into other things?

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**Nicholas L. Luff**

*Chief Financial Officer & Executive Director, RELX Plc*

A

Well, I think every business, of course, is trying to find the best way to operate that it can in the current environment. But given the desire we've seen from customers for us to continue to hold events to provide a service where we can and we've got I think these events in Guangdong that we opened yesterday I think we had 14,000 visitors.

So that will tell you there's still a strong demand to come to face-to-face events and they are important part of the overall mix of how businesses look to push their products into their markets. But, clearly, it will vary from sector-to-sector and as we've seen over many years in different sectors how important face-to-face is for them and going to events is for them will vary. Then we'll have to see how that develops.

**Patrick Wellington**

*Analyst, Morgan Stanley & Co. International Plc*



Great. Thank you.

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

**Sami Kassab**

*Analyst, Exane BNP Paribas*



Thank you and good morning, gentlemen. I have two topics please to discuss, Exhibitions first and STM. In Exhibitions, can you elaborate, comment on the revenue attrition that you have seen for the shows held post-COVID in June and July? Are we talking them minus 20-ish percent or more or less?

Second, on STM, we've seen John Wiley and half a dozen other publishers announcing a price fee for their 2021 renewal cycle. Will you be able to push up prices like you have done in previous recessions or do you expect you will hold prices unchanged?

And, lastly, on the author-pay open access revenues which are growing very rapidly, can you remind us of the share that these revenues account for in STM? And also comment on the recent changes that we've had in China with regards to the research assessment exercise then moving away from the impact factor from [indiscernible] (41:53) incentivizing publication in Chinese local language journals. What type of impact do you think this could have on the publishing industry? Thank you.

**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*



Okay. I'll have Nick to cover the Exhibitions part.

**Nicholas L. Luff**

*Chief Financial Officer & Executive Director, RELX Plc*



Yeah. Sami, the recent shows, the ones in June that we held in China had a couple – well, actually had revenues ahead of the prior edition from the year before. Now be careful in how you interpret that. There, obviously, exhibitors we had booked in some time before even COVID struck. But nonetheless, we actually had revenue slightly up. In the ones we're running right now, there's actually quite a wide range. Some are up on the previous edition, others seem as quite a significant knock. And it all depends on where, how well progressed the selling was, how much rescheduled the show was.

And again, I'm not sure I would read too much into that in terms of what that means for other shows in other geographies, in other sectors later in the year. You could have very different dynamics, but there's a range. But, on average, the July shows are a bit down, but not too bad.

**Sami Kassab**

*Analyst, Exane BNP Paribas*



Thank you, Nick.

**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*



Okay. On STM, as you know, we have said this before, we think of ourselves as a service providing a wide range of services to our customers and we always have as our objective to pursue each one of those service or product categories, trying to offer higher quality than other major providers and do that at a lower effective price to the customer than other major providers.

So, what you mentioned here is sort of high-level list price communications which are, at this point in time, almost not that applicable to most of our customers. Often matters with each customer is the type of arrangement they have and the type of agreement and what's included and how the spend evolves inside that agreement. And our approach is going to be, as I said before, to make sure we fully understand our customer situation, how they are evolving, and make sure that they get what they want to get from us, and they have the appropriate depth and breadth of content and analytical tools, and that they can do that at an economic equation that continues to be attractive to them regardless of which type of challenges that they face over the next couple of years. But our philosophy continues to be that we should be better quality and better value equation and that we work with our customers during difficult time periods.

When it comes to the open access author pays, the way we look at it, our overall open access, a number of articles are now just over – a bit into double-digit share of our overall article count. And our revenue share is, because of the way we're running and growing these and launching many, including launching 50 of them in the first half, the overall revenue share is now in the high-single digits from that. So it's a slightly lower revenue share than it is in article share on purpose and by strategic design.

When you look at the changes to research evaluation frameworks and moving away from just solely focusing on impact factor, in particular you mentioned China, we think this is a very good thing. We think it's very good that the different approaches to evaluating research and researchers' research success is broadening. And we have played a major role in trying to design alternative valuation metrics. We continue to work on that, continue to broaden the suite of ways of measuring and evaluating science. We think that's a very good thing. We're very engaged. And I think that we will see a broadening of those valuation tools around the world, not just in China, and we think that's only positive.

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**Sami Kassab**

*Analyst, Exane BNP Paribas*

Q

But I understand for cyclical and other alternative metrics, but what about the article submissions coming from China into the coming two or three years? Do you think article submissions will be impacted by the change in the framework?

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**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*

A

Well, the article submission rate from China, as you probably know, has been very strong for us and all major publishers for a long time and it continues to grow very strongly. And we believe that our role is to make sure that we offer a wide range of different research segment publications as well as different quality tiers, so that every author that wants to publish with us should be able to publish with us regardless of which location they come from and what the definition is on where they would like to be published. We have had a long presence in China for many, many years, and we're very involved there, and I believe we're positioned well to manage through whatever changes might come. But, normally, these kind of things are very slow, they come very gradually, and we don't see that as a material negative.



**Sami Kassab**

*Analyst, Exane BNP Paribas*



Thank you very much, Erik.

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

**Adam Berlin**

*Analyst, UBS AG (London Branch)*



Hi. Good morning. Thanks for taking the question. Just one for me. I just want your help reconciling the change in constant currency numbers and the change in underlying growth numbers in slide 14 where in each – for the STM, Risk and Legal, you kind of got better or the same change in underlying growth in constant currencies, you're having kind of negative portfolio revenue effect in all STM businesses, with the fact that you spent now I think it's something about £860 million on acquisitions in the last 12 months between H2 2019 and this period.

Can you just explain what the kind of negative drag is despite that spend and when that should start to reverse out? Do you actually see a positive revenue from all the M&A you've been doing? Thanks.

**Nicholas L. Luff**

*Chief Financial Officer & Executive Director, RELX Plc*



Yeah. Adam, I mean, you're effectively focusing on the portfolio effects on the numbers and what they do between the column headed change underlying and the column headed change constant currency. And if you look at the three businesses there, STM, we haven't – although we've made a few acquisitions in that business, they haven't been particularly large. So they're not being major contributors. We have been disposing of some smaller historic activities, some book portfolios that just have a – there's a 1% drag there.

In Risk, you've got both acquisitions and disposals going on. Obviously, the acquisitions this year, Emailage and ID Analytics, come into that number. But they only came in this year, halfway through the first half. We didn't have any significant acquisitions coming into the numbers in last year in Risk.

And against that, you've got some disposals, things like Farmers Weekly, et cetera, that are coming out of the numbers, which tend to be more mature businesses with more established revenue bases. So, that's where you get the two offsetting factors which leave you plus 3% underlying and plus 3% change in constant currency.

And then Legal was a bit of a drag. And, again, on the acquisition side, you've got Novo coming into the numbers. But it's a fast-growing small business, so its revenue base isn't that large yet. And on the flip side, you've got some, again, disposals. I mentioned those software assets that we sold last year, software businesses coming out of the numbers and again some print disposals. So, there's a few things going on in each of the three that net-net add up to a small overall drag in these numbers.

**Adam Berlin**

*Analyst, UBS AG (London Branch)*



And, sorry, and just the follow-up question was when does that – in H2, should that come the other way because you've got the full effects of those acquisitions coming through or – because it's been quite a few years now where we've seen kind of the impact of net M&As being negative on revenue despite quite a lot of spend. So, just to understand when that starts to come through with numbers.



**Nicholas L. Luff**

*Chief Financial Officer & Executive Director, RELX Plc*

A

Yeah. Clearly, you'll get the full six-month period from Emailage and ID Analytics coming into the second half. So, and their revenue will be in for the full period. As Erik mentioned, Emailage is growing very fast. So, that will obviously contribute. They will clearly from 12-month anniversary next year they will come into underlying. So, they won't be in that gap between the underlying and the constant.

And on the disposal front, we are – I don't know we have any, maybe a one Print magazine left that we've been doing a number of those which have been coming out of the Risk business and that's been going the other way. But those are largely done now. So I'm not saying we won't have other disposals, but those ones particularly are largely behind us.

**Adam Berlin**

*Analyst, UBS AG (London Branch)*

Q

Thanks.

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

**Matti Littunen**

*Analyst, AllianceBernstein*

Q

Good morning. You mentioned that the events currently taking place in the Exhibitions segment are mostly in Asia. And based on the listings on the Reed website, it looks like it's mostly China and Japan. Now, what's the reason we don't have more exhibitions occurring in other low incidence areas of COVID-19? Is it, for example, mainly travel restrictions or what's the color there? Thank you.

**Nicholas L. Luff**

*Chief Financial Officer & Executive Director, RELX Plc*

A

Yeah. So, I mean, partly, this is when the shows are scheduled. I mean, this is typically a quiet period for exhibitions. We don't normally actually have many exhibitions scheduled for the July, August period. Japan is an unusual situation because we were expecting there to be the Olympics. So, not – there are many events. Now, unfortunately, many events were brought forward and we held them back in February, which is good now. But other events have been moved away from this July, early August period in Japan because of that. I think if you look at the rest of the world, then a lot depends on what the government restrictions and requirements are.

You might have seen that in France, for example, large gatherings are allowed from the 1st of September and the UK exhibitions can operate from the 1st of October. And so, they're not – even though coronavirus cases may be low in those countries, but the restrictions haven't been lifted yet. So those – it does vary from market-to-market and that's why you see the schedule that we showed you on slide 22, the mix in terms of geography and timing and why the September to December period is the key.

**Matti Littunen**

*Analyst, AllianceBernstein*

Q

Very helpful. Thank you.

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

**Rajesh Kumar**

*Analyst, HSBC Bank Plc*



Hi. Good morning. It's Rajesh Kumar, not [ph] Cabbage Kumar (54:26). When you look at your portfolio of businesses, what areas have become more interesting since the pandemic and which areas need a rethink in terms of capital allocation? That's the first question.

Second one is on Exhibitions. When you look at the re-bookings for next year, what are the conclusions your business managers are drawing about customer preferences digital versus physical? Are they thinking that there are segments that people might go more digital, or is it likely to return to physical exhibitions as that remains a preference, or is it differ widely by business line?

And finally, on the Risk & Analytics (sic) [Risk & Business Analytics] (55:28) or in the Insurance segment, could you – you mentioned a few data enhancements. And could you run us through what other key customer challenges you are being asked to help them with? It could be a discussion around the wider Risk business, but specifically Insurance segment.

**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*



Okay. Well, I'll have – Nick is going to cover the Exhibitions side. But let me first talk about the overall portfolio here. Well, what I think has become as interesting to us during this unique time period is that our three largest business areas have held up and performed exactly as we would have expected in a very challenging time period. And it's interesting to me that perhaps all the trends we were expecting have continued to happen, but perhaps accelerated slightly during this time period.

So, that Risk, if you look at it first, Risk has continued to perform very well throughout this time period. And the direction we have been going with Risk to add more digital identity solutions has been very consistent with the way the world has developed, and the world has developed faster in that direction during the lockdown than maybe we had even predicted. So, the Risk division is doing as expected. It's heading in the direction we expected, perhaps even faster than we thought. And the digital solution sets, the two largest acquisitions we made over the last three years in ThreatMetrix and Emailage are doing very well and supporting that direction. So, it's all positive and perhaps a bit faster.

If you look at the two large subscription-based businesses in STM and Legal, again, they are behaving as we would expect and strategically also on the path that we wanted them to be, which is that the electronic revenue growth, both subscription and transactional, held up well and perhaps even increased slightly in the growth rate during this time period. But the print declines, which have continued – we have been there for many year, it continued and perhaps accelerated during the spring, partly for logistical issues and partly I think because people are spending more time online, something we have been trying to drive for many years. So, again, I think our strategy for those three divisions is exactly as expected and we're doing well. We think they've held up well, and if anything, accelerated.

When it comes to Exhibitions, I think it's very difficult to make any judgment right now on what this means. We have always said that Exhibitions is a good business that has good return on cash and both organic development and acquisitions, but that it has event risk, meaning it has the risk we've seen in the past when it comes to SARS, or MERS, or ash clouds, or swine flu, other events that have happened. Historically, they have tended to be regional or lax for a certain period of time. This is certainly more global downturn and a more longer time period of downturn than we have seen before. But it is what we thought was the risk factor for Exhibitions, the event risk.

So, when it comes to portfolio and cash allocation, allocation of capital, if you look at where we spent our capital over the last few years, it has been very heavily weighted towards the risk division and digital solutions, but also towards digital analytical solutions in the other areas and small plugin add-ons in Exhibitions. I believe that there's no fundamental change to that even if we put our heads together and try to rethink it now. So I think it's heading in the same direction.

I think, at the moment, there's not a lot of volume of acquisition activity and flow in the marketplace because many companies that were looking at potentially starting to sell a company we think have slowed down those initiatives and spending more on their time on actually operating, running their own business during this time period. So, at this moment, it's less active.

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**Nicholas L. Luff**

*Chief Financial Officer & Executive Director, RELX Plc*

A

Your question on the rebooking of exhibitions for next year, I think it's very hard to draw any conclusions is the short answer. Of course, in many instances, because we postponed this year's show, we haven't held this year's show, so rebooking the next year's show is distorted by that. Equally, on the other hand, where we've canceled the show, we often get customers who just roll over their booking to the next show and put their deposit again to the next event the following year. And that's, obviously, again distorting things. So, very mixed picture, depends on geography, sector, and very hard to draw any overall conclusions, so mixed.

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**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*

A

And your question on Risk, what it is we do in Insurance to help the industry at the moment, we have over the last probably a few decades driven growth in Insurance by launching new analytical tools based on incorporating different data sets in our modeling to help the economics for the insurance industry at many different decision points throughout the point of contact all the way to renewal, endpoint of claim, and so on. And we've continued to do that and rolled those out during this time period.

But what has become very interesting to many of our customers is the way we have, through our contributory database, there's another tool so if you look at across the insurance company, we have a unique view of what's going on across the market and what's going on by different geography.

So we have been helping our customers by summarizing overall transaction trends daily and weekly in terms of shopping activity and driving activity and adding drivers to insurance policies and so on that have been going through an unprecedented period in the US as a whole and state-by-state.

So, when it is completely anonymous and added up and cumulative, those have been data sets and updates that we believe have been very helpful to the customers and they seem to be appreciating it. So, that's pretty much what has been going on now.

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**Rajesh Kumar**

*Analyst, HSBC Bank Plc*

Q

Thank you.

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**Operator:** Your next question comes from the line of Jamie Bass from Berenberg. Please ask your question.

**Jamie Bass**

*Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)*

Q

Hi, guys. Just a really quick one from me. I'm sorry if this has already been clarified. But you mentioned in the press release your run rate for the underlying revenue being about half of what it was before. Just to clarify, is that run rate year-to-date or is that for this quarter?

**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*

A

Very easy question. That is the run rate we're seeing right now during the first effectively three weeks of July. This is the July run rate we're talking about here at the moment. This is the actual run rate right now in the Risk division on a total revenue run rate basis at the moment.

**Jamie Bass**

*Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)*

Q

Okay. Perfect. Thank you very much.

**Operator:** And your question comes from the line of [indiscernible] (1:03:08).

Q

Good morning, gents. Thanks for taking my question. Erik, you've said a lot about STM this morning already and the word that constantly or the phrases that constantly fall in this respect are service provider. Now, you recently entered into a new contract with the Dutch universities and I see a shift in a number of things and the word partnership pops up quite regularly. There's a different stance towards content ownership. Is this where the industry is heading in your view? That's the first part of the question. And the second part I don't think I'd get an answer on but I'll ask it anyhow. Is this model – is under this model the margin for STM sustainable at the level where it is right now?

**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*

A

Okay. Yes, we think of ourselves as a service provider in the STM industry and we think of ourselves as a service provider across a wide range of product sets. As you have noticed, it seems again that most of the questions here seem to be about academic – primary research subscriptions to the academic market, which is a bit below half of the STM division, but we really focus on all the different tools, data sets and analytics for science and research across the world.

You specifically asked about the Dutch deal. Every customer is unique and different, especially the large ones of scale. And without going into any one specific customer in detail, I can tell you that the Elsevier headquarters has been in the Netherlands for hundreds of years or the current business has headquartered there for over 130 years. And we are a unique service provider and in a unique position in that country not just to spend time talking about what the question of journal subscription content, but rather discuss how we can help the country advance science. And science does not need to be only accessible. It has to be transparent. It has to be reproducible. They have to have significant emphasis on underlying data sharing and data verification and how you can go into the scientific research data underneath.

What we've also seen during the COVID pandemic is that it has to be interdisciplinary. And we've seen increasing data sets that – it also has to be collaborative. Quality is always higher. Every year we look, when you have more than one institution involved, there is collaboration across borders and so on. These are the kinds of things we're talking about in the Netherlands which is our headquarter location in order to advance and make science open and structured, not just the portions that we tend to talk about which is sort of a subscription renewal.

There are also other important aspects to science that are getting a lot of attention at the moment, that is science also has to be inclusive, and we have that means that we have to factor gender and race into doing science. The actual conduct of science and the designing experiments, it has to be in how we select the science to fund, how we select the science to publish and how it then gets disseminated and articulated. So there are all these aspects that have been taken into account and are included in the country which is the location of our headquarters. So it's a very, very broad situation.

The last question you asked about margins. We don't think about margins. We don't manage margins. We don't have margin target. We manage product and product quality and analytics quality to our customers, and we want to make sure that we offer those at a higher quality and a lower effective cost, meaning better value equation for our customers than other major providers. If we do that, we can drive revenue and we can accelerate revenue growth over time by having higher value-add components of our offering.

Then, we manage our cost structure separately and we try to approach our cost structure evolution with the same level of sophistication, technology, and analytical tools as we do to build product for our customers. We use those tools to build systems and tools for our internal professionals and manage the cost growth. So we believe more importantly here that we can drive high value for our customers, and therefore, continue to drive revenue growth and, on a separate basis, in a separate way, we try to run our cost growth to be as efficient as possible and keep a low-cost growth. That's how we think about the revenue and profit generation in STM.

Q

Okay. Thank you very much. Have a nice day.

**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*

A

Thank you.

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

**Thomas A. Singlehurst**

*Analyst, Citigroup Global Markets Ltd.*

Q

Good morning. Tom here from Citigroup. Thank you so much for taking the questions. A couple on STM, I apologize. In an answer to an earlier question, you talked about price not necessarily being a sort of unitary focus in negotiations and it's about iterating the sort of service offering. I mean, one iteration for a lot of – well, for a number of university libraries has been to move away from bundled deals. I know we're talking about primary research here again, but the market seems to have focused a lot on the sort of gross impact on subscription revenues. You see some libraries talking about 50%-plus savings. I was wondering whether you could comment on the net sort of impact to revenue as customers move from subscription to more sort of pay-per-view-type models. That's the first question.

And then the second question, I know you won't want to comment on specific customers, but in the spirit of the conversation about the Netherlands and transformative agreements, can you at least give us a sense of where negotiations are ongoing at the current time with Projekt DEAL in Germany and the University of California? Thank you.

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**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*

A

Yeah. Let me try to address your first question. Yeah. The focus – what I look at when you talk about the question of price, it's the way we think of this and the way our customers think about it is what's their total level of spend and what do they get for that spend and what's their spend envelope, how are their changing priorities and their changing financial strengths.

So we, together with our customers, focus on the question of what are they spending and what do they get from that and do they want to change what they get or change their spend, right? Our objective is always to help each research institution get the best value for their money that they can get. And we try to work with them all to make sure they have the appropriate depth and breadth of content for their level of research intensity as it is evolving. And we believe that if we can serve them properly, over time, they will be a better customer for us, and we will add more value over time. So, that's how we think about it. It's a question of their spend and the range, the depth and breadth of content and the type of analytical tools.

You made one assumption, you made a statement that I think was surprising to me. You talked about people moving away from bundle deals. The way we see this is, of course, that we offer a broad range of products and service options. You can now a range from buying individual articles or subscribing to individual journals, groups of journals, object collections and our broadest collections. You can also for those have either full ownership rights, permanent ownership, or you can effectively subscribe to annual viewing rights. You can buy fact files and contents that also have full range of alternatives.

We have around 14,000 customers now around the world. And every year, a few dozen of those opt out of the broadest collection, right? And that has happened now for over a decade. And every year also several more dozens opt in to our broadest collections, sometimes even hundreds of customers. And so, if you look at our trends, we are now over 6,000 of our customers have the broadest collection and we've called it on the headline for the primary research subscription business, which is significantly higher than it has been before.

So, the starting point assumption has not been true so far. But I also think that we have such a range of alternative collections, such a range of ownership and viewing rights that I think it's slightly oversimplified to only look at that, even though it has been growing and we continue to see a gradual increase in it at this moment.

You asked the question of other customers. Do I want to talk about what the situation is and how we're negotiating with a few of the other of the 14,000 customers? And I'm going to decline to speak about specific customer negotiations or discussions.

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**Thomas A. Singlehurst**

*Analyst, Citigroup Global Markets Ltd.*

Q

I thought you might, but it's worth a go. Thank you very much.

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**Nicholas L. Luff**

*Chief Financial Officer & Executive Director, RELX Plc*

A

Thanks, Tom.

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**Operator:** We have no further questions at this time. Please continue.

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**Erik N. Engstrom**

*Chief Executive Officer & Executive Director, RELX Plc*

Okay. Well, thank you very much for joining us today, and we look forward to seeing you again soon hopefully at some point back in person.

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**Nicholas L. Luff**

*Chief Financial Officer & Executive Director, RELX Plc*

Thank you.

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**Anthony John Habgood**

*Chairman, RELX Plc*

Thanks.

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

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