

RELX PLC

Full Year Results

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Transcript

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Operator: Good morning. Thank you for standing by and welcome to the RELX results webcast for the year to the 31st of December 2021 with RELX CEO, Erik Engstrom and CFO, Nick Luff. At this time, dialled in participants are in a listen only mode. After the 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. I would now like to hand over to our first speaker today, RELX CEO, Erik Engstrom. Please go ahead, sir.

Erik Engstrom: Good morning, everybody. Thank you for taking the time to join us on our call today. As you may have seen from a press release this morning, we delivered strong financial results in 2021. We made further operational and strategic progress and will continue to build on our strong corporate responsibility performance. Underlying revenue growth was 7%, underlying adjusted operating profit growth was 13%, adjusted earnings per share growth was 17% at constant currencies, and we are proposing an increase in the full year dividend of 6%. All four business areas delivered improved underlying revenue growth with underlying adjusted operating profit growth in line with or ahead of revenue growth in the three largest business areas and return to profitability in exhibitions.

Erik Engstrom: So, let's look at the results for each business area. In risk, underlying revenue growth was 9% and underlying adjusted operating profit growth was 10%. The improvement in growth rate reflects continued strong contribution from recently launched products and from some recovery in market activity following the disruption scene in the first half of the prior year. It's these services which represents nearly 45% of divisional revenue delivered double digit revenue growth driven by strong demand in fraud and identity. Our digital identity solutions performed particularly well with ThreatMetrix and Emailage, continuing to see growth of around 30%. In insurance representing nearly 40% of the divisional total, growth was driven by the continued rollout of enhanced analytics and expansion in adjacent verticals.

Erik Engstrom: In US Auto driving patterns in claims activity continue to recover while shopping activity fluctuated somewhat during the year. In adjacent verticals, we saw strong growth in commercial and life insurance. Specialised industry data services, which represents just over 10% of divisional revenue recently, saw a return to strong growth overall. Some segments including petrochemicals grew strongly throughout the year and others including aviation are now recovering. And government representing just over 5% of divisional revenue, strong growth was driven by the continued expansion and rollout of analytics and decision tools across both state and local and federal markets.

Erik Engstrom: Going forward, we expect strong underlying revenue growth in line with historical trends with underlying adjusted operating profit growth, broadly matching underlying revenue growth. STM delivered underlying revenue growth of 3% driven by broader content sets and increasingly sophisticated analytics. In primary research, article submissions remained at last year's elevated levels and strong growth in the number of articles published, drove further market share gains in both subscription and open access payment models. And our relative quality advantage in both segments was maintained or increased.

Erik Engstrom: Open access articles grew by over 40% and now account for around 20% of our total articles published. We launched 100 new open access titles in 2021, bringing our total dedicated open access journal count to over 600, more than any other publisher. New sales have been going well and our contract renewal completion rates are in line with historical trends. In databases and tools and electronic reference, which represents over a third of divisional revenue, strong growth was driven by further development of content analytics. Improved functionality drove demand in the academic and government segment and strong growth in medical education and clinical solution was driven by demand for electronic reference and decision support tools.

Erik Engstrom: Going forward, we expect underlying revenue growth to remain above historical trends with underlying adjusted operating profit growth, slightly exceeding underlying revenue growth. In legal, underlying of revenue growth was 3% with underlying adjusted operating profit growth of 5%. Electronic revenue representing 87% of the divisional total has continued to grow well across all key market sectors.

High single digit growth in legal analytics and decision tools was driven by further development and roll up of legal analytics and new integrated functionality.

Erik Engstrom: Lexis+, which was launched in the second half of the prior year has continued to see very strong uptake across all customer segments with almost all new customers and the majority of renewing customers opting for Lexis+. Trends in our major customer markets saw some improvement in 2021 with strong renewals and new sales growing well. Going forward, we expect underlying revenue growth to remain above historical trends with underlying adjusted operating profit growth continuing to exceed underlying revenue growth.

Erik Engstrom: In exhibitions, underlying revenue growth was 44% driven by a gradual reopening of exhibition venues across geographies. In 2021, we continued to manage our event scheduled flexibly, responding to changes in local government policies. During the year we held 269 face to face events up from 169 in the prior year. And we continue to make good progress on digital initiatives with digital revenue growing by more than a third. The return to positive adjusted operating result reflects the increased activity levels together with a lower cost structure. Going forward, we expect a year of strong underlying revenue growth. The operating result will continue to benefit from the structurally lower cost base.

Erik Engstrom: Our strategic direction remains unchanged; we remain focused on the development of increasingly sophisticated information based analytics and decision tools that deliver enhanced value to our professional and business customers across all market sectors. Our primary focus is on organic growth, supported by targeted acquisitions of data sets and analytics and assets in high growth markets that support our organic growth strategies and where we are the natural owner of these assets.

Erik Engstrom: Our growth objective for risk is to sustain strong growth for a long time to cost. For both STM and legal, our objective is to continue on our improved growth trajectory. And for exhibitions, our objective is to capture the growth opportunities arising from venue reopening and increased use of data driven digital tools. By executing on our strategy, we are striving to deliver better outcomes for our customers, a higher growth profile for the company, improving returns for our shareholders and a positive overall impact on society.

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

Nick Luff: Thank you Erik. Good morning, everyone. Let me start by providing more detail on the group financials. Underlying revenue growth was 7% with all four business areas contributing to underlying growth. Underlying adjusted operating profit growth was 13%, with all four business areas showing improved results compared to 2020. Adjusted operating margin improved to 30.5%. The improved operating result flowed through to adjusted earnings per share, which was also helped by a lower interest charge and a lower tax rate taking it to a 17% improvement at constant currency. Cash conversion was strong at 101% contributing to a significance reduction in leverage to 2.4 times, including pensions, down from 3.3 times at the end of 2020.

Nick Luff: Given the strong overall performance, we've been able to increase the proposed full year dividend by 6% to 49.8 pence per share.

Looking at revenue, underlying growth rates in our three largest business areas were well above 2020, and above 2019 levels as well with risk at 9% and STM and legal, both at 3%. Exhibitions saw recovery through the second half driven by gradual reopening of venues across geographies. Portfolio changes were net neutral for risk, more positive for STM and a small negative for legal. For exhibitions, in addition to the annual events, we are also able to hold more cycling events in 2021 taking the total growth of constant currency up to 55%.

Nick Luff: About 60% of our revenues is generated in North America and we often bill in US dollars in other parts of the world too. That does expose our sterling revenue numbers to FX rate movements and the relative strength of the Pound in 2021 was a drag on Sterling reported growth rates of between 5 and 7% with total group revenue up 2% in Sterling.

Risk and legal delivered the underlying adjusted operating profit growth slightly ahead of underlying revenue growth, while for STM the two were in line. Portfolio effects on adjusted operating profit were broadly neutral in the three largest business areas. Having made a loss in the first half, exhibitions moved back to profitability in the second half of the year to deliver adjusted operating profit of 10 million pounds for 2021 compared to a loss of 164 million in the prior year.

Nick Luff: In 2020, we also incurred exceptional cost in exhibitions relating to cancelled events and restructuring. There were no exceptional costs in 2021. And unallocated items include a 35 million one off charge relating to reductions in our corporate real estate footprint, as we continue to optimise the use of our office space. Overall group adjusted operating profit was up 13% on an underlying basis. Currency movements were a drag on profit growth, similar to that on revenue, but group adjusted operating profit in Sterling was still up by 6%, to just over 2.2 billion pounds.

Nick Luff: Margins were stable in risk and STM, with an increase in legal margin as we continue to drive process innovation and keep a tight control of costs. With exhibitions returning to profitability, overall adjusted operating margins for the group improved by 1.3 percentage points for 30.5%.

Returning to the group level financials, the adjusted income statement shows the underlying growth of 7% in revenue and 13% in operating profit, which flows through to growth in profit before tax of 15% of constant currency aided by a lower interest charge.

Nick Luff: The interest expense benefited from lower average net borrowings and slightly lower average net interest rates compared to the prior period. The effective interest rate on gross debt was 2.0%. The tax charge was £384 million within an effective tax rate of 18.5%. Both 2021 and 2020 benefited from non-recurring tax credits, which resulted in the effective rates below our normal ongoing rate. Net profit was just under 1.7 billion, up 17% of constant currency.

Adjusted earning per share were also up 17% of constant currency and 9% reported exchange rates reflecting the rise of strength of Sterling compared to the prior year.

Nick Luff: Turning to cashflow, group CapEx was 337 million equivalent to 4.7% of revenue. That was very similar to the equivalent depreciation figure, and with working capital movements netting out other items, that left adjusted cashflow just above adjusted operating profit. So, cash inversion was strong at 101%. Cash interest paid was 118 million with the higher amount in the prior period related to an early bond redemption. Cash tax paid of 342 million was lower than the income statement tax charge, reflecting timing of tax payments. Helped by those lower interest and tax payments, total free cash was up almost 450 million to nearly 1.7 billion.

Nick Luff: Here's how we deployed the free cashflow. We completed 12 small acquisitions during the year to total consideration of 255 million. The most notable acquisitions were TruNarrative in risk, a UK based risk platform for transaction monitoring and Osmosis, a US health education platform for students and healthcare professionals. We made five small disposals with aggregate consideration of 22 million. Most of the 190 million of cash inflow from disposals that you see here relates to the sale in the first half of our state that we had in Palantir. Total dividend payments were 920 million. Through a combination of strong operational cash generation, modest net M&A spend, and currency translation benefit, net debt has reduced by almost 900 million in 2021 to 6 billion.

Nick Luff: Leverage also benefited from the improvement in operating profit, which flowed through to EBITDA. Including pensions, the ratio of net debt to EBITDA calculated in US dollars, fell to 2.4 times down from 3.3 times at the end of 2020.

Here, we set out our priorities for use of cash. Organic development remains our number one priority. We continue to invest consistently in the business with CapEx around 5% of revenues. We augment that organic development with selective acquisitions with the level of spend typically being the most significant variable in our uses of cash. Average acquisition spend over the last five years has been around 500 million, so 2021, at 255 million was a relatively low year.

Nick Luff: Our dividend policy is, over the longer term to grow dividends broad in line with earnings per share while targeting cover of at least two times. 2020 cover fell below two times as we maintained modest dividend growth, despite the decline in earnings per share. In 2021, we're proposing full year dividend growth of 6%, beginning to restore cover, which is now 1.8 times. Historically leverage has generally been in the 2.1 to 2.5 times range having been up at 3.3 times at the end of 2020, strong cast generation and improving EBITDA has brought the leverage back into the historic range quickly. Given that, we expect to have surplus capital again in 2022 enabling us to resume our share buyback program with 500 million to be deployed this year.

Nick Luff: Finally, I would like to give you an update on corporate responsibility. In May, we hosted our first investor event focused on CR. During the year we've continued to build on our strong ESG performance, making good progress on many of our important internal metrics and all the unique contributions that we make to society.

On the internal metrics, starting with people RELX employs over 33,000 and the workforce is split evenly between men and women. In 2021, the number of women in managerial roles increased to represent 45% of the total.

Nick Luff:

In the supply chain, we have a rigorous supply code of conduct following applicable laws and best practice in areas such as human rights, labour, and the environment. 2021 saw a further increase in the number of signatories to the code, with 96% of our higher risk and larger suppliers now signed up. On the environment, our emissions have declined for a number of years. Staff working remotely for much of the time has clearly impacted the last two years, with 2021 emissions down to 54,000 tons, covering scopes one, two, and business flights from within scope three. As well as reducing our growth emissions, we've extended our offsetting, now being net zero across scopes one and two, and from scope three, net zero for business flights, cloud computing, home working and staff commuting.

We can be compared to other companies on those internal metrics, but we believe we have the most significant impact when we focus on our unique contributions. They include applying our expertise to areas such as universal sustainable access to information, advancing science and health, protection of society, promotion of the rule of law, and access to justice, and fostering communities.

Nick Luff:

To give some examples, in 2021 we expanded the research material available on the free Elsevier novel coronavirus information centre, which saw over 175 million downloads in the year. We significantly increased the volume of content on the UN SDG resource centre and risk extended the Adam missing child alert service in the US.

Our commitment to corporate responsibility is recognised by external reporting agencies. We rated AAA with MSCI for a sixth consecutive year, achieved the top ranking amongst media companies globally with Sustainalytics, and maintained our fourth position in the Responsibility 100 index. More details of both our unique contributions and progress on key metrics will be provided in the corporate responsibility report to be published next week, alongside the annual report. With that, I will hand you back to Erik.

Erik Engstrom:

Thank you, Nick. Just to summarise what we've covered this morning. In 2021, we delivered strong financial results, we made further operational and strategic



progress, and we continued to build on our strong corporate responsibility performance. Following the improved performance in 2021 across the company, we expect 2022 full year underlying growth rates in revenue and adjusting operating profit, as well as constant currency growth in adjusted earnings per share to remain above historical trends. With that, I think we're ready to go to questions.

Operator: Thank you. If you would like to ask a telephone question, please signal by pressing star one on your telephone keypad. We will take our first question today from Nick Dempsey from Barclays. Please go ahead, your line is open.

Nick Dempsey: Good morning, guys. I hope you can hear me.

Erik Engstrom: Yeah, hi Nick.

Nick Dempsey: Great. So yeah, I've got three questions. So, number one, I think your net EBITDA does come in a bit below certainly what I was expecting. I think the market was expecting in 2021. You've got your 500 million pound buyback lined up. Do you feel you have the headroom now to do a large number of bolt-ons than you've done in the last couple of years? Do you have a pipeline of those lined up, that your divisional CEOs have been wanting to buy for a while? Second question, Thomson-Reuters, the other day, shooting for pretty good organic revenue growth over the next couple of years. Does that mean that there's some pricing room, some upside in the US legal information market, as they're the largest, probably the price sector, they need to achieve some acceleration in organic revenue growth?

Nick Dempsey: And third question just around the Jisc UK renewal for journals, I know you tend not to comment on individual deals, but some speculation there that they're getting a lower total amount that they're going to spend on that deal. How do you present that to other people that you're going to renew with upcoming? Is it all so different, every deal's very different, so it doesn't matter, or will all the others start to demand something less?

Erik Engstrom: Let me answer those for you here. The acquisition pipeline. We have, as you know, had a consistent approach to our acquisition strategy, which is, again, primarily focused on organic development, but always looking for bolt-on acquisitions, where that would support organic growth strategies and we are the natural owner. We see a constant flow of those acquisition opportunities over the years, but the ones that

are real interest to us tend to come in at unpredictable times, so to speak. And if you look at our historical acquisition patterns, some years it's a little more, some years it's a little less. If you look at where we are right now, the pipeline at this point in time for this year looks pretty much similar to any other year at this point in time. So, there's nothing specific that we see that is different from what we've seen, in an average year over the last five years.

Erik Engstrom: On the second question, the US legal markets, the growth acceleration that we have seen in legal for us is primarily driven by the fact that our customers see increased value in the legal analytical tools that we've been building and providing, and in the integrated functionality that we have on our platform that integrates that in an easy to use way. So, the value of those tools and the increased adoption of those tools and the roll out of those is what we think is driving the increased growth rate in legal, and the increased outlook, the improved outlook for legal. We have also seen a little bit of a firming up over the US legal market, as some of these third party analysts would confirm in terms of customer environment, in terms of legal activity in the US.

Erik Engstrom: The third question, specifically on one of our customers in STM. As you know, we never comment specifically on any customer. We have about 14,000 institutional customers for our primary research services around the world, and every year we renew a significant number of those. Each one of those is different, and in particular, the large combined consortia, they're very different from each other, and each one will request different combination of products and services and a different combination of participants in the consortium.

Nick Dempsey: Thank you.

Operator: We will take our next question from Sami Kassab of BNP Paribas. Please go ahead.

Sami Kassab: Thank you and good morning, everyone. I have the usual three questions as well, please, Erik. The first one you gave for STM and legal top line growth to be above historical levels. Can you please specify whether you meant above 3% reported last year, or above the 2% reported pre-COVID? Secondly, given the structural cost savings in exhibitions, if revenues were to match the 2019 levels, where would you see operating margins at? Would it be 200, 300 [basis points] above the 26% reported then? And lastly, what's your outlook for the insurance division? Can it

remain in high single digit, or do you expect growth to slow down in that particular sub-segment and to be offset by better growth elsewhere in the risk division? Thank you, gentlemen.

Erik Engstrom: I will take number one' and number three here. I'll ask Nick to cover the exhibition part, number two. First of all, for STM and legal, when we say above historical trends, what we mean is that legal and STM for the last five years have averaged about 2%, and we are now expecting that it's going to be above that average this year. For exhibitions, maybe Nick will cover that.

Nick Luff: Yeah, Sami, we have taken out a significant chunk of the overhead. We said about 25% out of that cost, I think people have estimated that to be around a hundred million. If anything, we went a little bit further than that in 2021, because of the relatively low level of activity. Some of those costs will come back a bit with the increased activity over time. But where exactly... You can work out that a reasonable chunk of the revenue base in terms of margin impact, but we're not going to speculate exactly what that means several years out. All I would say is that is a structural change and something that we expect to be there as activity develops, if we can make similar gross margins, clearly it will help the net margin.

Erik Engstrom: And on insurance, in 2021, as we said, it was a little bit of an unusual year in terms of insurance recovering, but it recovered from the growth rate we saw in 2020, and we were pretty close to the 2019 growth rates during the year. But it was a year of very funny impact from different types of lockdowns and auto sales dynamics. But we believe that insurance has a strong future outlook, even though, as you said, it might not have the same near term fast growth as you can see in some of our business services segments in particular, like fraud identity, or in particular in digital fraud identity. So, we think it's a solid, serious grower, but it's probably not quite as high as the opportunity setting growth rate that we see in some of these other risk sub segments that we've talked about more recently.

Sami Kassab: Thank you very much.

Operator: We'll take our next question from Adam Berlin of UBS. Please go ahead, your line is open.

Adam Berlin: Hi, good morning, everyone. Just two questions from me this morning. Can we start with STM? Can you just give us an update for 2021? How many articles were published? How many were open access, and of the open access articles, how many were paid for open access articles versus being part of publish and read deals? If you can't give the exact numbers, maybe can give us rough percentages, but that would be really helpful to know what the article growth was in real numbers. And the second thing was on exhibitions. Just try and think about how we think about revenues for 2022. Really 2019 was about 1.3 billion pounds of revenue. Can you talk about what are the reasons why 2022 will be below 1.2? We are running a pretty full schedule, international travel's still down... Can you just go through the different moving parts and help us think about where exhibition revenues might end up for this year as we try and model it out? Thanks very much.

Erik Engstrom: I'll cover the first one here and then I'll let Nick talk more about exhibitions. In STM, if I understand your questions right, our articles... I'm going to try to answer them here, and the ones I think you asked. Articles published in the year grew in the high single digits in total, and it's now a little over 600,000 articles published. We had growth in subscription articles, and we had growth in open access articles, a little over 40%. We have now open articles represent roughly 20% of the total number of articles that we publish, and you asked about how much is in different kinds of pricing arrangements or deals. We'll let the question a little bit of interpretation of when you have a customer or set of customers that say that they're willing to spend a certain amount of money over a certain amount of time, and they want to have a certain types of content sets. They want to publish certain number of articles. They want to have certain databases, and we agree on the overall number, then it's a question of how you interpret the allocation or the value of each piece.

Erik Engstrom: If you look at it as a proportion of our overall revenue, you could define that the open access transactional revenue is a few percentage point below that 20%, or if you attribute value differently, you can interpret it pretty similar, or maybe perhaps even marginally higher than the 20% as a proportion of our primary research, academic, and government revenue stream. You asked what proportion of our deals, did I understand it correctly, involves some form of combined spend on both content sets or publishing agreements, et cetera. It's a little bit over 10% of our total institutions that have something like that at this point, and they also represent that combination

a little bit over 10% of the revenue within that segment, the combined deals. Nick, maybe you want to cover exhibitions.

Nick Luff: I think the key for 22 is to continue to operate flexibly, and we've learned over the last couple of years to be flexible and to hold events when we're able to, depending on local restrictions, et cetera. So, I think the key variables relative to 21, I would look at it as, are what are the restrictions and can we hold events and are there restraints on numbers of people we can have? How will international participation develop from here? Clearly the lead time you've got where exhibitors are confident that an event will go ahead helps as well, so all those factors will come into play. But I think we saw an opening up during the second half, particularly as the US first, and then Europe opened up in the second half of 21, so based on the conditions we've got today, I think we see good growth coming against that 21 base.

Adam Berlin: Okay. So, are you currently planning to run a pretty full 2019 type schedule, or how much of the 2019 schedule are you expecting to be missing this year based on where we are today in terms of what's open and what's closed?

Nick Luff: We'll stay flexible and manage the program. We're ready to operate a large number of events if the opportunity is there to do so, and I think we would see it against what we able to do in 20 and growing from there.

Adam Berlin: Okay. Thanks, Nick.

Operator: We will take our next question from Matthew Walker of Credit Suisse. Please go ahead.

Matthew Walker: Thanks a lot. Good morning, everyone. The first question is I think, Erik, a while back you mentioned that with exhibitions, you used to plan for various scenarios like a pandemic in Asia, et cetera, but you never planned for a global one. Has that changed your view at all on exhibitions and the profile around predictability of earnings and whether that really fits with what you're trying to achieve with the rest of the group? That's the first one. The second one is you are light on margins relative to where consensus was for most of the divisions. Can you just go through maybe, Nick, and explain what's happened? Is it inflation in different divisions? Is it currency? A bit of help there would be useful. And then finally, similar question on margins for 22. You said you're going to grow margin in legal and FTM and risk

margin is going to be relatively flat. So, you don't seem to be calling out inflation impacts for '22 on your margins for the group. Can you just go through your thinking around wage inflation, other types of inflation, and just share your thinking around why you can keep on growing margins in two divisions and keep margins flat in the other one? Thanks.

Erik Engstrom: Okay. On exhibitions, as I think I've said before, that every business unit, large business areas, as well as every sub-business unit needs to be reviewed, of course, for its role in the portfolio, how it adds value to customers, how it adds value to the company over time. And exhibitions is no exception to that. However, over the next couple years here, the primary focus for us in exhibitions is going to be to make sure that we continue to increase the value we add to our customers in that segment while we're capturing the significant growth opportunity that's there right now from the reopening of venues and from the increased adoption and rollout of digital tools that we have seen during the pandemic. So, we see significant upside here over the next couple years. And of course, we'll always have to review the role of each part of the company in the portfolio, but that's probably not at this moment. Nick, would you like to cover the other question?

Nick Luff: Yeah, Matthew. I mean, yeah, if you look at the individual businesses in '21, you'll see that risk, we had revenue growth of nine and profit growth of 10. So that revenue growth was higher than costs, but we did have some currency drag in those numbers. So, risk margin would've been up 40 basis points before currency effects. So, that's all that's happening in risk. In STM, you saw, we had 3% revenue growth, 3% profit growth. So, you'd expect margins to be stable. There was actually a very small drag from portfolio changes. I mean, the businesses we buy, you wouldn't have the same margin of 37%. They would be a little bit dilutive, which is why it's down 10 basis points.

Nick Luff: Legal, as you can see with profit growth of 5%, revenue grows 3%. You've got good margin expansion that translates 40 basis points, which you see coming through in the numbers. So, I don't think anything in there is inconsistent with our overall approach and philosophy.

Nick Luff: And going forward, we run the group consistently to ensure that cost growth is below revenue growth. And that is regardless of the inflationary environment we're

in. And generally speaking, what we're doing, the unit costs are coming down. So, whatever you measure by articles published, for example, or in STM, or the amount of data we're handling, or the number of logons that our customers are making against the risk platforms, or the number of legal articles that we're managing in the legal business. So, the volumes are going up faster than our revenue and, of course, faster than our costs. So, we're bringing unit costs down.

Nick Luff: So, if we are in a more general inflationary environment, then that may change the trajectory around exactly how that unit cost develops, but it may not come down quite as fast, but it's nothing that we don't think is very manageable. And we're not exposed to commodity prices or energy costs aren't significant for us. So, it's just a question of managing over time in the same way we have done consistently. And you see from the guidance we've set today; we're expecting profit growth to be above historic trends and as we are overall for revenue growth. So, no particular change in approach or expectation there.

Matthew Walker: What about wage growth for technology-orientated staff, which is obviously quite high? So how much of your staff is related to developing technology and why are you not seeing margin compression because of wage inflation in tech staff?

Nick Luff: Well, clearly, we need lots of skills that are in very high demand, and we have to pay market prices for those to get those skills. But the key to managing our overall cost is to ensure we continue to drive efficiencies, notwithstanding that there's always parts of the cost base, where there'll be some upward pressure. And if we can continue to take other steps to reduce our real estate costs, for example, to move things to the cloud where it's cheaper to operate and handle the extra volume, and just also ensure sure that the resource we've got, the skills we've got are productive as possible. So, automate processes, use AI, use machine learning, which means you can ingest data and analyse data much more efficiently. Absolutely we'll see upward pressure in certain areas in the cost base, but it's a question of managing that and ensuring the cost growth rise below revenue growth.

Matthew Walker: Okay. Thank you very much.

Operator: We will take our next question from Matti Littunen of Bernstein. Please go ahead.

Matti Littunen: Hello. Good morning. First question on risk and BA. You had an even growth contribution in 2021, it looks like from the base market growth and products less than five years old for underlying growth. Now for within that new product bucket, could you give any colour in terms of the contribution from products internally developed versus those acquired more than one year ago. Then for the bolt on acquisitions, in terms of which segment they might fall in the coming years, is that something that just depends on, it will change opportunistically depending on where you see the right kinds of potential deals or is there any kind of shift in emphasis that we could expect going forward between the segments.

Matti Littunen: And then finally on article submissions and acceptance rates. So, is it correct to assume that in 2021, the article submissions grew faster than articles that you published, which would imply a sort of lower acceptance rate from Elsevier? And if so, as we see submissions potentially normalising, is that something you target as a quality metric, or is it more of a function of the capacity to publish versus the number of submissions going forward? Thank you.

Erik Engstrom: On the first question here on risk, you're correct in that what we call recent product introductions came back to the same level it's been at the peak over the last few years when it's going well. And we also saw some contribution, of course, increase from what we call general market growth, a little bit of a coming back from a slower year the year before. We don't actually try within that group of new product introduction to try to segment out where the product development or product introduction would have originated if we had not made the acquisitions, because once we make these acquisitions and they're more than a year old, the way you talk about it, we integrate the products, we integrate the sales, and we then launch new functionality that combine, which is the main reason why we are the natural owner of these assets, and we can grow them so fast once we have bought them. So, it's not something that we try to segment out specifically to divide. It's the combination of the acquisition with our internal skillset platform and distribution capability that drives that growth on new and recently introduced product.

Erik Engstrom: You also asked about acquisitions. We are going to have the same approach to acquisitions that we have had over the last few years, which is primarily to target acquisitions that support our existing organic growth strategies and organic growth strategy is to develop more sophisticated analytics and decision tools. So, what you



can see is our acquisitions tend to be in the faster moving analytics-oriented subsegment of all of our divisions. The opportunities set for our acquisitions has proven to be higher in the risk division because there's faster moving subsegments there. So, they have gotten a higher proportion of acquisitions than their current revenue. And I would expect that to continue.

Erik Engstrom: On the STM article side, over the last several years, we have seen article submissions probably on average growing the high single digits and our articles acceptance or published has gone a few percentage points below that, so that our acceptance rate has gradually gone down year over year, for many years. There was a little bit of a backlog catch-up during the pandemic here in '20 and '21 that maybe increase perhaps come in a little faster in acceptance as in submissions in a short period of time, but that seems now to have sort of evened itself back out again.

Erik Engstrom: So, I would expect that we will continue to see articles submissions grow slightly faster than articles published, and therefore the mathematical acceptance rate between the two slightly lowered, but this is not a strategy that has to do with capacity. It's a strategy that has to do with which subsegments of science we have journals and journal brands in, and what the quality tiering is for each journal brand and how we're planning to grow that specific subsegment out of our 2700 journals. Each subsegment, where we can launch a new journal, and how we can serve our customers better in fast-growing subsegments, and hopefully gain market share gradually on a go forward basis as well as we have in the past.

Matti Littunen: Very clear, thank you very much, Erik.

Operator: We will take our next question from Rajesh Kumar of HSBC. Please go ahead.

Rajesh Kumar : Hi, good morning. Two, if I may. First, you touched on inflation, with inflation, how you're thinking about cost structure going ahead. Could you give us some flavour on how your pricing contracts are linked to inflation, or are they linked at all in some way or form, especially RPI or CPI that if inflation were to pick up much more than any of us think right now, you have some protection there?

Rajesh Kumar : Second on the risk in analytics. I appreciate that your focus is largely on the analytic side, in terms of identifying organic growth opportunities. It would really help if you

could run us through why RELX is the natural place to deliver those services to your clients and not just data, and then the clients do those analytics in house, or find a different organisation to do that bit for you. So, if you could run us through the logic of why your organisation is best suited to deliver that service, that would be very helpful.

Erik Engstrom: Okay. Well, on the first question here on our customer contracts, we have a wide range of different contract types in our different subsegments and with our different customers. Of course, we have some that are short term, some that are long term. In the multi-year contract, they tend to have different versions of increases built in, in terms of total spend increases. Often, it's not related to inflation rates, or RPIs, even though we do have some of those in some subsegments. Most of the time, the inflation question or pricing question comes up when you renew contracts. We said before, for example, in some of our STM contracts, we have about 75% of our multi-year, 25% of our annual, and about a third of each of the long term ones comes up each year, which means that we renegotiate about 50% of the contracts each year.

Erik Engstrom: So that gives you an indication that there is a fair amount of discussion and renegotiation and new sign-ups, even in segments where we have long term contracts. There's a wide range of alternative ways where this is built in, but again, our objective is, and will continue to be that the effective price per some kind of unit delivered or unit of value delivered is supposed to go down each year. And it has done that for many years and our effective cost per unit delivered internally has also gone down each year for many years at a slightly steeper trajectory than the value delivered per unit or the effective price per value delivered to the customer. So, if the inflation or environment changes significantly over time, we will still have the same strategy, probably still have the same differentiation. It may just be that we're operating both the effective price per unit and the effective cost per unit at a slightly different trajectory, slightly different incline.

Erik Engstrom: On the risk question, what our risk division really does is to take enormous amounts of datasets from many different sources. We probably have a few thousand licensed in public records or other data sources directly from companies. We collect an enormous amount of public records, and we generate an enormous amount of data from some of the services that we operate. Those datasets are not valuable to anybody without the categorisation, the analytics, the organisation of them and the

turning of those datasets into decision tools that you can apply at a point of decision making instantly. I mean, in just one of our little subsegments, I know we have a few hundred million transactions a day that generate data that's therefore useful in the next dataset, in the next transaction, a few seconds or a few minutes later, or the next day.

Erik Engstrom: So, the difference between the data collection, the organisation of the data, analysing the data and turning it into a decision tool is very slight. It's very small. And the value add to the customer is the value of the improved decisions. And we help them get to that improved decisions by taking all these datasets, ingesting them and applying algorithms to them, and providing them with scores and datasets and probabilities so that they can operate their business better and faster. That's why we're the natural owner. It's basically not a big difference between the data collection and data analytics for us and the data analytics you need to package into a decision tool that you sell to the customer.

Rajesh Kumar : Understood. Thank you very much.

Operator: We will take our next question from Katherine Tait of Goldman Sachs. Please go ahead.

Katherine Tait: Good morning, everyone. Perhaps, just to ask the wage inflation question a slightly different way. My understanding is that largely across your analytics products have been very much driven by volumes, historically, do you see pricing [ ] putting through those inflationary costs that are coming through from the tech talent side through in terms of price increases as a potential way to protect your margins over and above the cost efficiencies that you've already articulated? Just keen to understand how you're thinking about the growth model from that perspective.

Katherine Tait: And then secondly, on exhibitions, just keen to understand a little bit more about the efforts that you're making there in terms of digital and bringing in virtual and hybridisation options and services. Can you perhaps just give us a little bit more colour in terms of what that looks like practically and also whether that's something that is going to require incremental investment, either organically or inorganically and how easy that is?

Katherine Tait: And then finally just on legal and STM and the accelerated level of organic growth that you're anticipating into the next year. If I look back to your risk business analytics division and the improvement in organic growth that we saw over many years, over the last eight or so years, there was a steady pick up in that organic growth. Is this the start of that? We might be expecting legal and STM to go to 3% organic growth and 2% now, but what to stop that also tracking then up to 4%, 5% over the next 10 years as analytics tools continue to take share of the overall product offering. Thank you so much.

Erik Engstrom: Okay. I'll cover the first and the third question, I'll ask Nick to cover the exhibitions question in between here. So, on the question of wage inflation and whether that would directly lead into price increases, the way we look at our product is again, that we think we have an effective per unit price decline in our strategy and have that for many years to come, for many years so far and I think we will have that for many years to come.

Erik Engstrom: However, if we operate in a sustained higher inflation environment, it's quite possible that the rate of that decline per unit will adjust to be a slightly less steep decline, which then is an effective relative price increase relative to the rate of decline we've had in the past. But we expect that the value we provide to our customers and the unit volume we provide to our customers will continue to increase at a faster rate than the absolute price in most of our market segments, which means that the relative price that our customers see is probably going to continue to be a decline, but perhaps not declining at the same rate that it has in the past if the inflation environment is significantly higher.

Erik Engstrom: I hope that's clear.

Erik Engstrom: Now, Nick, do you want to cover exhibitions?

Nick Luff: Yeah, Katherine, obviously what RX is doing in digital is across a number of fronts ranging from completely virtual events as you say, through to remote participation at physical events, either by the exhibitor or indeed by the attendee, particularly relevant where international participation is a bit more difficult. But also using data and analytics around the people at the event and adding value to people's participation so that they get the most out of being at an event. So, they get to meet

the right people, have the right interactions, spend their time more effectively and add more value.

Nick Luff: Clearly there's some cost in doing all that, but I would say that virtual events of course are significantly cheaper to run than a physical event. You don't need a hall, et cetera. And on the data analytics side, we are able to use the platforms and the skill sets we got from elsewhere in the group to help exhibitions develop their data analytics around the events business. So, I think if you see it in the context of an overall cost base of the business where innovation and changes, all which part of what we're doing, it's all manageable within that context.

Erik Engstrom: On the divisional growth rates, you're correct that risk has of course, managed to increase, gradually increase its growth rate over the last decade or so now opt in on high single digits on a regular basis. And as you heard, our objective is now to keep it in this growth range, in this rate of annual growth for a long time to come. Given this scale, we think that's significant value creation for our customers, and we think that's significant value creation for our shareholders.

Erik Engstrom: For STM & Legal, our objective is to continue to expand the value of our digital analytics and decision tools, and therefore build out the content set, build out the sophistication of our analytics and therefore increase the value we provide to our customers. Our objective is to continue to increase the growth rate of those divisions over time. As we get a larger proportion of each division in the higher growth segment of analytics and decision tools and as we gradually reduce the print track that still exists at the bottom of those divisions, we think that should be our objective. And we think it's an objective that we're likely to be able to pursue successfully over time.

Erik Engstrom: However, these business segments are 75% to 80% subscription based and we're selling in to spend umbrellas that are not changing dramatically very quickly. So that objective is something we have to be patient with and try to pursue on a systematic but gradual basis over a period of time.

Katherine Tait: Perfect. Thanks very much.

Katherine Tait: We will take our next question from Sarah Simon of Berenberg. Please go ahead.

Sarah Simon: Yes. Morning. I have got two, please. First one was just on your point about accelerating growth in print and legal. How much of that, if you were to allocate the acceleration between less drag from print and acceleration from non-print, how do you split that?

Sarah Simon: And the second question was on STM. Within the journals business, can you give us any indication of either what percentage of revenue or what percentage of customers are at institutions that only read and do not publish?

Sarah Simon: Thanks.

Erik Engstrom: Well, on the growth side, the main driver of growth acceleration in STM & Legal comes from the increased sophistication value and higher growth of databases and tools, increased sophistication and value of analytics and decision tools. That's the main driver currently, and it will be the main driver going forward. You only have about a percentage point of print drag left now in those divisions, because about 10% of those divisions are now print and probably the print segments are probably declining on average about 10 percentage points worse than the growth rate of the rest. So that's what's left in terms of print drag to eliminate over time.

Erik Engstrom: When it comes to STM, you asked a question about how many are only read? Well, I think the way to look at it is this, almost all institutions in the world that do some form of science, subscribe to some of our content sets, right? And almost every institution in the world also has researchers that publish with some of our journals now in some form of open access, author pay, institution pay type of articles. How many of them have combined the different things that they do into one negotiated overall spend with an agreed growth over a period of time so that it's a total spend number that includes of all these components? I can put it this way. I've said before, a little over 10% of the total worldwide institution count of 14,000 and a little over 10% of our total revenue in the academic and government primary research segment of STM is in these agreements that at this point have combined the spend on those different buckets into one overall agreement.

Sarah Simon: Okay. Thanks-

Erik Engstrom: And the rest have not.

Sarah Simon: Okay.

Operator: We will take our last question today from Tom Singlehurst from Citi. Please go ahead.

Tom Singlehurst...: Thank you. Good morning. It's Tom here from Citi. You'll be relieved to know I've only got one question and it's an echo I think of Matthew's question earlier on. Because I really want to come back to exhibitions, obviously if you present it as a binary choice, you own it or you don't own it. You'd want to own it over the next three years because it's clearly going to grow a lot, but a lot of companies are adding a lot of value by taking assets that are not non-core, selling a share of them to private equity and then running them more aggressively out of the public eye. I'm thinking WPP and Kantar. I mean, obviously this morning Informa and Pharma Intelligence. I just wanted to push you on why that's not a consideration for exhibitions because it increases the volatility and unpredictability of your revenue and earning streams to the detriment of your multiple. That was a question.

Erik Engstrom: Well, as I said before, every business unit, every division we own and every business unit underneath that, will be subject to and has been subject to strategic reviews and discussions about the value they provide to our customers and the role they play in our portfolio. Since I became CEO, we've sold over a hundred different assets that didn't fit those criteria or that we thought were better off somewhere else. So, we're not at all against selling any part of our portfolio at any time.

Erik Engstrom: However, at this point in time, we're going through an unprecedented reopening period in exhibitions as well as an acceleration of build out and launch and rollout of digital tools that Nick just talked about, that we are probably uniquely well positioned to take advantage of given as we are a part of RELX. And we should go through that time period and drive that value and of course, as I said, every unit is always subject to review for its role in the portfolio. And we never exclude any action on any one of our units or any sub user at any given point in time. But at this moment we see significant value creation for our customers and for our shareholders by taking advantage of these two key drivers that are driving growth in exhibitions at this moment.

Tom Singlehurst...: Perfect. So not now, but maybe not never. Okay. Thank you very much.

Operator: This will conclude today's question and answer session. I will now hand you back to Erik Engstrom for any additional or closing remarks.

Erik Engstrom: Well, thank you Mike, very much for taking the time to join us today on our call. We thought we had a very strong result in 2021, and we think we have a very positive outlook for 2022.

Erik Engstrom: Thank you again. I look forward to talking to you again soon.

Operator: This will conclude today's conference call. Thank you all for your participation. You may now disconnect.