RELX – Full Year Results

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Transcript

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Erik Engstrom: Good morning everybody. Thank you for taking the time to join us today. As you may have seen from our press release this morning, we delivered strong financial results in 2022. We made further operational and strategic progress, and we also performed well on our corporate responsibility priorities. Underlying revenue growth was 9%. Underlying adjusted operating profit growth was 15%. Adjusted earnings per share growth was 10% at constant currencies. And we're proposing an increase in the pound sterling full year dividend of 10%. All four business areas grew well, with underlying adjusted operating profit growth in line with or ahead of underlying revenue growth.

So let's look at the results for each business area. In Risk, strong fundamentals continue to drive underlying revenue growth. Underlying revenue growth was 8%, up from 7% in the first nine months of the year, with underlying adjusted operating profit growth, broadly in line with underlying revenue growth.

Business Services, which represents around 45% of divisional revenue, continued to deliver strong revenue growth in Financial Crime and Compliance, and Fraud and Identity. And we have recently strengthened our customer proposition with small acquisitions in compliance and behavioural biometrics. In Insurance, representing just under 40% of divisional revenue.

The positive momentum that started in the first half strengthened through the remainder of the year, supported by further improvement in key market factors such as shopping activity. Specialised Industry Data Services, which represents just over 10% of divisional revenue, saw strong growth overall with commodity intelligence growing particularly strongly, and other segments including aviation returning to historical growth rates. Government, representing just over 5% of divisional revenue continued to grow strongly.

Going forward, we expect strong underlying revenue growth line with historical trends, with underlying adjusted operating profit growth, broadly matching underlying revenue growth. In STM, further development of analytics continued

to drive an improvement in underlying revenue growth to 4% up from 3% last year, reflecting the ongoing shift in business mix towards higher growth analytics and a reducing print drag.

Underlying adjusted operating profit growth was slightly ahead of revenue growth at 5%. In Databases, Tools and Electronic Reference and Corporate Primary Research, which together represent around 45% of divisional revenue, continued strong growth across research, clinical and commercial markets was driven by further content development and enhanced analytics and decision tools. In Primary Research Academic and Government segments, which also represent around 45% of divisional revenue, growth was driven by a higher volume of articles both submitted and published with pay-to-publish open access growing particularly strongly.

So far this year, renewal completion and new sales are going well. Going forward, we expect underlying revenue growth to remain above historical trends with underlying adjusted operating profit growth slightly exceeding underlying revenue growth. In Legal, we saw a further improvement in underlying revenue growth to 5%, up from 3% last year, driven by the continued shift in business mix towards higher growth legal analytics.

Underlying adjusted operating profit growth was ahead of revenue growth at 8%. We continued to see strong growth in our law firm and corporate markets, which now account for over 60% of revenue. LexusPlus, our integrated analytics offering has continued to see very strong uptake and usage growth across customer segments, as we continue to extend our datasets and roll out enhanced analytics functionality.

Renewals remain strong and new sales continue to see positive momentum. Going forward, we expect underlying revenue growth to remain above historical trends with underlying adjusted operating profit growth, continuing to exceed underlying revenue growth.

In Exhibitions, we saw strong revenue growth and recovery in profitability. Underlying revenue growth was 64% driven by the reopening of exhibition venues across most geographies, and with an improvement in profitability, reflecting the increased activity levels and a lower cost structure.

We continue to manage our event schedule flexibly, and we're making further progress with digital tools that supplement our physical events. Going forward, we expect a year of strong underlying revenue growth. The operating result will continue to benefit from the structurally lower cost base, with margins expected to be close to pre-pandemic levels.

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

Across all market segments, the improving long-term growth trajectory is being driven by the ongoing shift in our business mix towards higher growth analytics and decision tools. And when combined with our strategy of driving continuous process innovation to manage cost growth below revenue growth, the result is continued strong earnings growth with improving returns. I will now hand over to Nick Luff, our CFO, who will talk you through our results in more detail. I'll be back afterwards for a quick wrap-up and our usual Q&A.

Nick Luff: Thank you, Erik. Good morning everyone. Let me start by providing more detail on the group financials. As Erik said, underlying revenue growth was 9%, the underlying adjusted operating profit growth well ahead of that at 15%. As a result, the adjusted operating margin improved by almost one percentage point to 31.4%. The improved operating result flowed through to adjusted earnings

per share, which increased 10% at constant currency, despite higher interest and tax rates.

Returns continued to improve despite the higher tax rate with ROIC up another 60 basis points, now at 12.5%. Cash conversion was strong at 101%, contributing to a further reduction in leverage to 2.1 times, down from 2.4 times at the end of 2021. Given the strong overall performance, we have been able to increase the proposed full year dividend by 10% to 54.6 pence per share.

Looking at revenue, you can see the continued strong growth in Risk and the improved growth rates, in STM and Legal. Those improved growth rates together with the continued recovery in Exhibitions, took underlying revenue growth for the group as a whole, up to 9%. Including Exhibitions' biennial events, total growth at constant currency was 11%. And of course, with 60% of our revenues generated in North America, there was a significant benefit from the stronger dollar, with sterling revenue up 18% overall.

Risk delivered strong underlying growth in adjusted operating profit, in line with revenue growth. STM and Legal both delivered underlying profit growth ahead of revenue growth. Portfolio effects were a slight drag on profit growth in each of these business areas, but all of them benefited significantly from currency movements. Exhibitions' profit recovered, reaching about half of 2019s level, as activity increased, and we benefited from the lower cost structure.

Combined with the strong performance of the three largest business areas, that drove strong group operating profit numbers up 15% underlying, up 14% in total at constantcurrency, and up 21% in sterling, to nearly £2.7 billion.

Margins were slightly up in Risk, with favorable currency impacts more than offsetting dilution from acquisitions. In STM, margins were stable with underlying improvements sufficient to offset unfavorable currency movements and dilution from acquisitions.

Legal's margin improved further, by 40 basis points, as we continued to keep cost growth below revenue growth. Those movements together with the recovery and profit from Exhibitions, added almost a full point to group margins, taking them to 31.4%.

Here's the group adjusted income statement, showing the underlying growth of 9% in revenue and 15% in operating profit. The interest expense increased, with the effective interest rate on gross debt up to 2.9% from 2.0%. That left profit before tax up 13% at constant currencies and up 20% in sterling. The tax charge was £530 million with an effective tax rate of 21.3%. You'll remember the prior year benefited from non-recurring tax credits, which resulted in the effective rate below our normal ongoing rate. Net profit was just under £2 billion pounds, up 10% at constant currency and up 16% in sterling. All that gave us adjusted earnings per share of 102.2 pence, up 10% at constant currency and up 17% in sterling.

Here you can see how the higher earnings flowed through to cash flow, with EBITDA now close to £3.2 billion. Capex was £436 million, equating to 5% of revenue, leaving us with adjusted cash flow still above adjusted operating profit, and hence cash conversion just over 100%. Cash interest paid was £165 million, the increase reflecting the higher interest rates. Cash tax paid of £495 million was slightly lower than the income statement tax charge, reflecting timing of tax payments. Total free cash flow was up by 18%, to just under £2 billion.

Here's how we deployed that free cashflow. We completed nine acquisitions during the year for total consideration of £443 million. The most notable were BehavioSec, a leader in behavioural biometrics, Flyreel, a self-inspection app for home insurance, both in Risk, and Interfolio, a provider of faculty information systems in STM. Total dividend payments in the year were £983 million, and we resumed our share buyback program in 2022, deploying £500 million.

Overall, the spend on acquisitions, dividends and share buybacks broadly utilised the full £2 billion of free cash flow. Year end net debt increased as a

result of currency translation effects. Leverage 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 2.1 times, down from 2.4 times at the end of 2021.

Our priorities for use of cash are unchanged. Organic development remains our number one priority, and 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 £600 million, with 2022 a little below that average.

Our dividend policy is, over the longer term, to grow dividends broadly in line with adjusted earnings per share, while targeting cover of at least two times. Since it fell below two times in 2020, we have steadily restored cover while still increasing the dividend. In 2022, we are proposing full dividend growth of 10%, with cover up to 1.9 times.

Historically, leverage has generally been in the 2.1 to 2.5 times range. Strong cash generation and improving EBITDA has seen leverage return to the lower end of that range, now at 2.1 times. Given that we expect to have surplus capital again in 2023, we are continuing our share buyback program with £800 million to be deployed this year, of which £150 million has already been spent.

Alongside our financial performance, we continue to make progress on our corporate responsibility objectives. Anchored by the purpose of the company, we focus primarily on our unique contributions, using our products and skills to benefit society in ways only we can. Of course, we also perform well on those metrics where we can be compared to others. A selection of the key CR data is shown here. I'd particularly draw your attention to our carbon emissions, where we are now net zero across scopes 1 and 2, and for an increasing number of categories within scope 3. We are now using a much more accurate

methodology for measuring flight emissions developed by our own Cirium aviation business.

And our commitment to corporate responsibility continues to be recognised by external reporting agencies. We rated AAA with MSCI for a seventh consecutive year, achieved the top ranking among media companies globally with Sustainalytics and maintained our fourth position in the Responsibility100 index. With that, I will hand you back to Erik.

Erik Engstrom: Thank you Nick. Just to summarise what we've covered this morning. In 2022, we delivered strong financial results. We made further operational and strategic progress, and we also performed well on our corporate responsibility priorities. The improving long-term growth trajectory is being driven by the ongoing shift in our business mix towards higher growth analytics and decision tools. And we remain focused on managing our cost growth below revenue growth.

Going forward, momentum remains strong across the group and we expect underlying growth rates in revenue and adjusted operating profitto remain above historical trends, driving another year of strong growth in adjusted earnings per share on a constant currency basis. And with that, I think we're ready to go to questions.

Call Operator: Thank you. If you would like to ask the question, please signal by pressing *1 on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turn off to allow your signal to reach our equipment. Again, press *1 to ask the question. We'll pause for just a moment to allow everyone an opportunity to signal for questions. We will take our first questions from Adam Berlin from UBS. Your line now has been opened. Please go ahead.

Adam Berlin: Yeah. Hi, good morning. It's Adam Berlin from UBS. I just have some questions on the STM division. In the past you've given us some information about the number of submissions, the number of open access articles, et cetera, rather than just kind of the commentary you provided, any physical numbers you can

give us about the number of submissions, the number of open access articles you published or the open access growth rate, that would be really helpful.

And then my second question was, you mentioned that the number of submissions have actually increased above that very high level we had last year in 2020. Can you talk a little bit about what's driving that, and are you rubbing up against any limit to how many articles you can process because of things like capacity on peer review, or any restrictions that are going to stop you continuing to grow? Number of articles that you receive and you publish. Thanks very much.

Erik Engstrom: Okay. Let me cover those. Total submission growth this year to our journals is backup now to sort of mid to high single digits, which has been our very long-term average. And that's now on top of what was a little bit of a jump and then leveling off a little during COVID, which had some unique characteristics. So this is back to the long-term growth right now of strong submission growth. And you also asked specifically about submissions, direct open access, or pay to publish or to our author pays journals, that's growing pretty close to 30% this year.

And then you asked, is there a limit to the processing or the scale here? I think I have to answer this in a way that gives you a little bit of history. The long-term growth rate in submissions to us has probably been on average growing in the high single digit for a very long time. I mean almost for decades. And what's behind this is the increase in total number of scientist researchers in the world that typically has grown 3 to 4% over decades and continues to drive the activity.

Then the increasing information intensity of science means, of course, that people document more, they research more, they have more powerful tools, so that's why they can drive a submission growth rate that's above the number of the growth in number of researchers. We continue to scale up our operations. We continue to scale up our network with that growing number of researchers in the world. And we also leverage lots of different technologies and process

innovations, in particular leveraging AI technology, machine learning tools, to make sure that that machinery works at a much larger scale. And I don't see any end point or limit to this, where we would hit any end point on this growth in the world of science.

Adam Berlin: Thanks so much. And maybe just how many articles in total did you publish? Can you tell us that?

Nick Luff: Yeah, it was about 600,000, just over 600,000 of which about a quarter are open access.

Adam Berlin: Okay, so similar to last year?

Nick Luff: Yeah, a little bit up.

Erik Engstrom: Yeah, a little bit up, because there is a delay in submissions, to acceptances, to published. And as the number of submissions leveled off a little bit the year before, it now has gone back to the mid to high single digits growth rate of submissions, that means that the number of articles published has a little bit of a time lag as it's come through and get registered. So that's why you can see the keeping up at the level, led to a small increase this year in number of articles published. But what's in the pipeline in terms of articles submitted and accepted, is backed up to the higher growth rates and you'll see that come through over the next few months, because of the lag time in the process.

Adam Berlin: Okay. That's great. Thank you very much indeed.

Call Operator: Thank you. As a reminder, if you would like to ask a question, please signal by pressing *1 on your telephone keypad. To withdraw your question, please press *2. We will take our next questions from our next participant Nick Dempsey from Barclays. Your line now has been open. Please go ahead.

Nick Dempsey: Yeah, good morning guys. I've got three questions. So the first one, when you are negotiating subscription renewals, I understand that you won't be putting

through an inflationary price increase, but when you are making your case for how much extra value you've delivered and you hope to be paid for that, doesn't it help in your negotiations that the other cost lines of your customers are all going up 5, 6, 8, 13%, and therefore it's not shocking that they should pay you 5% more, or 6% more than last year. So even though you don't obviously put through inflation price increases, aren't you still being helped by an inflationary environment and could that change?

Second question, when you say on legal that renewal rates are strong and the positive momentum in new sales is continuing, given that about 80% of revenues are subscription, is there any reason why you would not again achieve the 5% organic revenue growth in legal in '23 that you saw in '22?

And the third question, now that the exhibitions division is heading back towards the numbers that you achieved before the pandemic, does it make sense to look to sell this division at some point? Clearly it was a source of volatility in the last few years that it would've been nice to avoid, and the scale of the division is pretty small in the group.

Erik Engstrom: Well, let me cover each one of those in order here. If you looked at first question was around subscription renewals and the relative perception of those in an inflationary environment. We think of what we sell to our customers as something that is of increasing value to them over time, both because we have broader data sets, or the broader content sets, we have increasingly sophisticated analytics and higher value decision tools, and therefore we sell on their value, and their perceived value. And I agree with you to some extent, that when other things in the world get more expensive, the perception of value of what we are selling would be enhanced and therefore our customers should want more of them, should use them more, and therefore continue to support our revenue growth. So even though there's not a direct calculation there, it's a part of our approach of selling value. And when the relative value increases, we should at least do as well as we did before, if not slightly better.

On legal, you said yes, you asked is it going to be similar? Yes, renewals and new sales are continuing to do well. Momentum is strong. It remains strong. There's no reason to believe based on what we've seen, that the trends are heading down. However, we still have about 10% of that division that is print, that is a little bit lumpy. So you don't know exactly what's going to happen in any one, six or 12 month period in the short term, but we do know which direction it's going over the medium to long term, and that's an improving long-term growth trajectory.

On exhibitions. In the near term here, as you might understand, as I mentioned earlier, we remain a hundred percent focused on the growth opportunity from venue reopening, and the introduction of these new data-driven digital tools we're using. Over time though, the key issue is what kind of value uplift we will be able to drive for our customers and for the business as a whole therefore, through the wider deployment of these higher value add analytics and decision tools. But given that we're still in the reopening stage here, where many exhibitions are happening for the first or second time since COVID, and we're in the early stages of this rollout, it's much too early for us to estimate, or even trying to form an opinion of what kind of value that will create at this point in time. So that's what we're going to leave it for now.

Call Operator: Thank you. We will take our next questions from Sami Kassab from BNB Paribas. Your line now has been open. Please go ahead.

Sami Kassab: Thank you and good morning everyone. I have my three questions as well. The first one is on STM and Legal, they have accelerated, but have they reached a plateau or would you expect over time that growth rates can accelerate further, in Legal in particular, and in STM, as we recently heard from Thomson Reuters who suggested further growth acceleration.

Secondly, there has been quite a lot of talk on ChatGPT and other text generative AI. What impact do you see this development having on the group and especially on the legal division?

And lastly, how much of the Exhibition's revenues are now derived from digital tools? Thank you.

Erik Engstrom: Yeah, I will cover all of those in order too. In the different divisions, Legal and STM, as you might have heard from the two seminars we've had on those individual divisions in the last year or so, both of those division heads have articulated the clear objectives for that growth objectives for them, which is to continue on this improving growth trajectory. And because this is driven by the business mixed shift towards higher growth analytics and decision tools, and of course, in both of those divisions also supported by the gradual reduction in the print drag on the growth rate, their objective is to continue down this path. But of course, as we've heard, the subscription percent in each one of those is, three quarters of the division is multi-year subscriptions, which means that they're working on improving the long term growth rate, but it's going to have to be one percentage point at a time, and it will be in the short term influenced by possible volatility on the lumpy print revenues in any one year, even though that effect would also reduce this over time.

ChatGPT. I mean, RELX is a big user of AI technology and has been, as you know, for many years. Generative AI, or the technologies behind ChatGPT, that's the next step on this journey. And it's steps like this that actually have enabled us to grow and develop in the way that we have developed as a company. I mean, as a matter of fact, we consider our ability to identify and leverage new tools like this, a competitive advantage of ours. We proactively seek them out. We work with them often in partnerships and where we see opportunities to create products, we do that, to improve our customer outcomes, and sometimes we look for opportunity instead to leverage the technologies to improve our own internal processes and efficiencies. I mean, this has been our approach for many years. It will continue to be for many years to come. ChatGPT or perhaps more importantly for us, the ChatGPT underlying large language model structure that's behind it, that's an important step. But it's only one step of many, there'll be many more to come, and we're very excited about it. We've already worked with the underlying ChatGPT technology for a while, we'll continue to do that

with the next generations, and I think it's going to be a big opportunity for us to continue to incorporate it, both in the way we serve our customers and interact with them, but perhaps, most importantly, in the way we actually operate and run the company, and our internal professionals and their processes. Let me just make sure, the last question you asked was...

Nick Luff: I can take this one on digital revenue and Exhibitions. If you look Sami, in the disclosures, you'll see that where we actually charge separately for the digital service. That's the revenue, that's about 7% of the division.... and that's growing strongly. But what's more important actually is how you use these digital tools to enhance the experience of both the exhibitor and the attendee at the event. So ultimately it comes through in the face-to-face revenue and what are you're charging exhibitors and indeed attendees in some cases to be at the event because they can get more value out of it because of these digital tools.

Call Operator: Thank you. We will take our next questions from Lisa Yang from Goldman Sachs. Your line now has been opened. Please go ahead.

Lisa Yang: Good morning. I have two questions as well please. Firstly, on Risk, obviously we saw nice acceleration in the line growth to 8%. Do you think that sort of 8% is sort of reasonable for 2023 and I think that sounds consistent with your comments as well about growth remaining in line with historical trends? And could you maybe elaborate a bit more on the drive of the growth there? Could you just see insurance accelerating for 2023 or maintaining the good run rating of 2022? Are you seeing any slow down yet? Especially the transactional component within Business Services and what are the trends you're seeing as well in the rest of the business for that identity? That would be really helpful. Second question is on Exhibitions. Could you please tell us where you ended at the end of 2022 in terms of revenue for your shows versus 2019? And what are your expectations for 2023, especially if you're expecting margin to go back to close to that 26% level?

And can you also maybe comment on what are you expecting as well in terms of contribution price increases and how much contribution you're expecting from your China JV? I know it's a small part [ ], but used to be quite meaningful. And so I'm just wondering what are you assuming in terms of getting to that sort of close to [ ] level? And on Exhibitions as well, are you planning given that this business seems to be doing much better now or expecting to roll in new shows? So that's the second question. And the last one is if you can give us an update in terms of what you're expecting on tax. I think 2022 tax rate ended a bit lower than we expected, so what should we be expecting for 2023 and on interest costs as well? Thank you.

Erik Engstrom: Okay. I will cover the first one and then I'll hand the rest over to Nick to cover those. So if I understand it correctly, you're talking about the growth rate of Risk, the current run rate and the near term outlook for it. As you've heard, our long-term view on risk is that the opportunity set in this segment is such that our objective there is to continue to grow in this range for many years to come. And the range we've been in the last few years, of course fluctuated a little bit sometimes up the point sometimes down depending on some of the transactional revenue streams during that year. And while we can see what's going on now and what has happened recently, it's always very hard for us at this time of the year to try to predict exactly how those transactional revenue streams will behave especially in the second half of the year because it's so many months out.

But I can tell you what you would expect in this kind of economic environment, which is that some streams would possibly slow down their growth rate a little bit. I mean at this moment, as you might guess, over the last few months, at the end of last year, and currently we've seen some pockets in our Business Services side of Risk where the growth rate has slowed a bit relating to personal financial transactions and others. On the other hand, we have seen a pickup in growth rate in several other segments including some financial compliance and most importantly in the insurance segment, where both insurance shopping and switching has picked up, which it typically does when the economic

environment slows down a little bit the way it has. So, we're seeing the kinds of patterns that we have historically and at the moment in the last few months and currently the slight slowdown in some sub segments is offset by the slight pickup in the other segments.

And if anything you net it up, the slight positive segments are probably marginally outweighing the former negative outlook or the negative transaction on the growth rate. But it's very hard to say of course where exactly that will be later in the year. But again, I think you have to look at this division as being in a range of growth over a long period to come and there will always be a little uncertainty about what the growth rate will look like 6 to 12 months out. Now I'm going to hand that over to Nick to cover the others.

Nick Luff: So Exhibitions you asked about the like for like. Obviously that improved as we went through '22 in the second half. We rounded about 90% for those shows that had a comparable event prior to Covid. Looking into '23, I think we'll have to see how that evolves. We'll have some events that are still coming back for the first time, China cycling events that happening for the first time since Covid. So we'll see. You asked about China joint venture profit. Yep, that was not as strong because of the difficulty operating in China. That did have some impact on the margins. And although the revenue line was strong, I think relative to expectations, the lack of JV profit held back the bottom line a bit. You asked about launches and yep, we are launching again. We have about 15 launches planned for '23, not quite as many as we had historically, but that number is coming up.

And your other question's on interest and tax, the tax rate, the 21.3, we had in the Full Year 22 is a normal sort of rate within that 21-22 range. The UK corporation tax rate of course they've announced is going up in April, although that's changed a few times in being unannounced and then re-announced. But if that goes ahead, that would add a bit to the tax rate. So over time that you'd expect it to settle in the sort of 22% to 23% range and most of that step up would occur in this year. And you asked about interest cost. As I said in the

presentation, interest cost, average cost on gross debt in 2022 was about 3%. It's currently about 4%. And based on forward curves, it won't change much from that, although we'll see what happens to interest rates. But that's a good starting point for your judging what interest is going to be this year.

Call Operator: Thank you. We will take our next questions from Thomas Singlehurst from Citi. Your line now has been open. Please go ahead.

Thomas Singlehurst: Yes, thanks. I was going to joke that it's Harvey from Alan and Overy, but no, it's definitely Tom from Citi. The question, first one, I'm going to come back to generative AI. I think you answered it on the Legal side and I see the point around embedding those kind of tools in your workflow solutions. I'm interested on the STM side. There's been some discussion around whether it's going to set things like the sort of process of pre-print back because there'll just be more... the signal to noise ratio will go down. Can you just talk about how it might impact sort of behaviour and sort of fraud levels within STM and whether that has any implications for your business? That was the first question. Secondly on Exhibitions, the question was... so I suppose very simply, what proportion of your sort of shows are running in the right time slot in 2023 or anticipated to run in the right time slot in 2023? And on the back of that, what's the right level of recovery versus 2019 adjusted for which shows are taking place at the right time?

And then finally, in terms of M&A, obviously ongoing spend on acquisitions, can you just talk about where we're most likely to see spend in terms of operating division? Thank you.

Erik Engstrom: Okay. I'll cover the first question then I'll hand over the rest to Nick here to cover. Again, back on generative AI and GPT based tools at this point, again, we believe this is one significant development, but it's one of many, it's one step along a long journey. And yes, it will over time, or tools like this over time, will influence I think many of the things we do, not just in the legal division but also in the other divisions, including in STM. And of course we have had our people

look inside this for quite a while. We've looked at the tools behind this, a large language models and experimented with them. And we also looked at how individual users can use this in particular, as you said, authors and submissions in the scientific world. And we have developed and put in place a policy with authors and editors to clarify how tools like ChatGPT can be used, how it can be used as a tool to enhance articles, but also transparently stating how it's been used, how we disclosed, how it's being disclosed and used is becoming standardised within the industry.

And the way I see it is this is going to continue to evolve, whether then that specifically means that certain types of tools, like you said, pre-prints and others might be seen to have a different value if they haven't been peer reviewed and haven't been rigorously edited and checked for different tools and methodologies. I think that remains to be seen. I still believe, again, that the value and importance of trusted contents and brands in this kind of environment should not go down. That's probably my conclusion on that. But it's going to continue to evolve. We're already in the process of testing and experimenting with the technology for our internal processes, for our own processes, our own word processing, as well as our own technology tools for our own employees to see if there are ways that we can enhance it, but without using it as a product itself.

Nick Luff: So Tom, your question on the exhibition schedule for '23, outside of China, almost all the exhibitions are scheduled to run in the normal slots, but we'll see whether that's possible and we've become very good at being flexible and adapting if we need to. Your questions on M&A and which business areas would that fall into, I mean, the first thing to say is all our businesses are focused primarily on organic development of course. We will use acquisitions and make acquisitions where we see ways of enhancing and accelerating the organic development. If you look back over the last few years, the Risk division has had more of the acquisition capital, but that's a product of the opportunity and the dynamics of that particular segment. We're certainly willing and actively always looking in all business areas.

Call Operator: Thank you. We will take our next questions from Matthew Walker from Credit Suisse. Your line now has been opened. Please go ahead.

Matthew Walker: Thanks guys and good morning everyone. Yes. Matthew Walker from Credit Suisse. I also had a question on ChatGPT, which is, you mentioned how it can be used in a defensive mode to enhance your products for customers and also to benefit your staff internally to save time, et cetera. What do you see from the possibility of it being used offensively against you from startups or maybe even larger companies? You've got a lot of deep data in all the different divisions. To what extent can ChatGPT pull out that data with or without your consent? And how easy would it be for a rival company to build some effective products based on that technology and start charging for them? So if you could just give us a bit of colour on how that technology might or might not be able to be used against you.

The second thing is, could you give a bit more colour? You answered a little bit, but I just wanted a bit more colour on Risk transaction outlook for this year. It's obvious that insurance is recovering. Can you give us some products or a feel for the different types of products? You mentioned personal finance, but could you mention some different products which might be experiencing a slowdown in the other side, the non-insurance side of transactions, and give us a sense of where things may or may not be vulnerable and what current growth rates are like. And then finally, on Exhibitions, could you tell us what your rebooking rate was, both the first half and second half?

Erik Engstrom: Back to ChatGPT. Maybe I was not clear enough there. We see ChatGPT fundamentally as an opportunity to continue to enhance things that this is the underlying technology, the large language model, and the generative AI behind it. That's something that we see as one step in technology development, something we've been on for a very, very long time. Some of you may recall, we've talked about AI and machine learning in some of our seminars many years ago and how we include this. We believe, as I said, that our ability to identify and leverage those ahead of others is a competitive advantage. And I believe

that this is not a defensive tool for us. This is the main driver. Using technologies like this has been the main driver of the improvement in our growth rate and the increasing value add in our analytics and our decision tools.

And I do not believe that this step is an exception to that or the future step should be an exception. We seek these partners out. We seek the individual developers out. The smaller companies you talk to, even the ones that come from big companies, we often look to develop partnerships with them and do licenses and collaborations early here. And we've been on this for quite a while and we've been experimenting with building things for quite a while. So we believe that this is a tool that we are particularly well positioned to leverage in a positive, proactive way. When you ask what can other people do, there will always be technologies that are useful and if they're useful to us, they will be useful to others. But as we've said many times before, the value that we bring in our decision tools is because we have the combination of three different components.

Number one, and the most important one is we have extremely deep customer understanding of our key market segments and how exactly they behave today. Because they’re users of our tools today, were inside their processes. We know how they make decisions, we understand the value of those decisions, and we can build tools to enhance the value. That's the underlying number one customer understanding. Then on top of that, we have built these content sets, the data sets that we've accumulated over a very long period of time. And while some of those have been accumulated from public sources, many of them have been built through contributory databases or by internal editorial work over a long, long period of time. And those data sets, those content sets, they are not publicly available. They will not be publicly available for these tools either. They are proprietary when we have built them and they’re proprietary to the way we put them together, even though many of the original data sets were publicly available at the time.

And third, we build these tools with the layers of machine learning tools, technologies and analytics on top of which the ChatGPT tools or similar types of artificial intelligence. That's just one component. And when you buy something expensive from a professional business information provider, what's important is that it's truly something you can trust and rely on. And I think in order to do that, the value comes from the combination of those three components, the deep customer understanding, the broad and complete data sets, and the combination of many different analytical tools and algorithms on top of it. And that's the way we see our development and that's why we will continue to seek out and partner with anybody who has any one new component that can contribute to that. But any one component by itself I don't think is going to be the main potential competitive threat to us.

Let's see. The next question you asked was on Risk. Yes, as I said before, some sub-segments in business services have seen slowing growth in the second half of last year. And in particular those relating to fraud and identity in certain types of US financial services, personal interactions, account opening for stock trading, and very, very small segment. For us, it's of course the crypto account opening and trading. It's extremely small for us, well less than 1%, but you could see the trends in those and I can keep going with some had therefore seen lower activity than they did a year ago. So there's a few of those specific sub-segments that you can see therefore that the overall growth rate for us is slowing and has been lower for a while.

So it's not just starting now, but again, as I said, the pickups that you've seen from several of the other segments, which is as predicted in an economic environment like this, they have offset that. And as you could see at the end of the year with improving growth rate, and now they slightly more than offset the slowdown in those business services sub-segments that are slowing. And the last question.

Nick Luff: So your question on re-booking rates here, they improved as we went through 22. You can see that in the revenue numbers and those like for like for

comparisons I was talking about and how this first half was like 75%, second half 90%. So you see that that's where the re-booking is coming through.

Erik Engstrom: Thank you.

Call Operator: Thank you. We will take our next questions from Konrad Zomer from ABN Amro. Your line now has been open. Please go ahead.

Konrad Zomer: Hi. Good morning everybody. Konrad Zomer ABN Amro Oddo, just one question on Exhibitions. When you mentioned that the margins will return to pre-pandemic levels, which was about 26% from 17% last year, how much of the 100 million pounds of cost savings you put through in 2020 do you think is going to be permanent, so to speak, and how much of that will move back up now that revenues have started to move back up?

Erik Engstrom: I'll let Nick cover this here.

Nick Luff: As you say, we've fundamentally moved the cost structure, the portfolio changes we made and we permanently discontinued a number of shows and representing about 10% of revenue. Well, the weaker events, so that also helps structurally with the margin. Clearly the cost base of the business evolves particularly as you come back with the events. But essentially the structural changes are permanent.

Konrad Zomer: But that would imply that a 100 million already reflects about a 10 percentage points on your margin. So then it wouldn't be a very ambitious statement to suggest that margins will return to pre-pandemic levels. It suggests that they will exceed pre-pandemic levels relative to-

Nick Luff: But obviously the scale of the business is different if we've taken off 10% of the revenue off the top. So you have to do that into account.

Call Operator: As there are no further questions at this time. I'd like to turn the conference back to Erik for any additional remarks. Please go ahead.

Erik Engstrom: Well, I just want to say thank you all for joining us on our call today. I look forward to talking to you again soon.