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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 2023, and we made further operational and strategic progress. Underlying revenue growth was 8%, underlying adjusted operating profit growth was 13%, adjusted earnings per share growth was 11% at constant currency, and we are proposing an 8% increase in the pound sterling full year dividend. All four business areas performed well in 2023, and on this chart, you can also see the relative sizes of the business segments within each business area.

In Risk, strong fundamentals continue to drive underlying revenue growth of 8% with underlying adjusted offering profit growth of 9%. In Business Services, which represents around 45% of divisional revenue, growth continues to be driven by Financial Crime Compliance and Digital Fraud & Identity solutions, and we saw a strengthening in new sales in the second half. In Insurance, which represents just under 40% of divisional revenue, strong growth was driven by further expansion of solutions sets across markets, supported by positive market factors. Specialised Industry Data Services, which represents just over 10% of divisional revenue, saw strong growth, led by the commodity intelligence and aviation segments.

Going forward, we expect continued strong underlying revenue growth, with underlying adjusted operating profit growth slightly exceeding underlying revenue growth.

In STM, further development of analytics continued to drive the ongoing shift in business mix towards higher growth segments. Underlying revenue growth was 4%, and underlying adjusted operating profit growth was also 4%, with a slight increase in adjusted operating margin. In Databases, Tools, and Electronic Reference, and Corporate Primary Research, which together represents around 45% of divisional revenue, strong growth was driven by further development of higher value-add analytics and decision tools. Primary Research, Academic, and Government segments, which also represent around 45% of divisional revenue, continue to be driven by strong growth in article submissions, with pay-to-publish open-access articles growing particularly strongly. Going forward, we expect continued good underlying revenue growth, with underlying adjusted operating profit growth slightly exceeding underlying revenue growth.

In Legal, we saw a further improvement in underlying revenue growth to 6%, up from 5% 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 continue to see strong growth in Law Firm and Corporate markets, which account for over 60% of divisional revenue. Lexis+, our integrated analytics offering, has continued to see strong uptake and usage

growth across customer segments. Lexis+ AI, our new platform leveraging generative AI functionality, was launched commercially in October. The initial customer reaction has been very positive, and the roll-out has started well. Going forward, we expect continued strong underlying revenue growth, with underlying adjusted operating profit growth exceeding underlying revenue growth.

Exhibitions delivered strong revenue growth and an improvement in profitability. Underlying revenue growth was 30% driven by a significant increase in face-to-face activity, with average like-for-like event revenue across the portfolio ahead of pre-pandemic levels for the full year. The improvement in profitability reflects both the higher activity levels and the structurally lower cost base, with the adjusted operating margin also above pre-pandemic levels for the full year. Going forward, we expect strong underlying revenue growth with a further improvement in adjusted operating margin. Our strategic direction is unchanged.

We leverage deep customer understanding to combine leading content and datasets with powerful technologies in global platforms to build increasingly sophisticated information-based analytics and decision tools that deliver enhanced value to professional and business customers across market segments. We have been able to develop and deploy these tools across the company by embracing artificial intelligence technologies for well over a decade. We are confident that our ability to leverage AI and other technologies as they evolve will continue to be an important driver of customer value and growth in our business for many years to come. Our growth objectives are, for Risk, to sustain strong long-term growth in the current range. For both STM and Legal, to continue on the improving growth trajectory. And for Exhibitions, to continue on the improved long-term growth profile.

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

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 8%, with underlying adjusted operating profit growth well ahead of that at 13%. As a result, the adjusted operating margin improved to 33.1%. The improved operating result flowed through to adjusted earnings per share, which increased 11% at constant currency, despite higher interest rates. Returns continue to improve, with ROIC up 1.5 percentage points to 14%. Cash conversion was strong at 98%, contributing to a slight reduction in leverage to 2.0 times at the lower end of our typical range. Given the strong overall performance, we've been able to increase the proposed full-year dividend by 8% to 58.8 pence per share. Acquisition spend on the year was relatively modest at £130 million, and we deployed £800 million on share buybacks.

Looking at revenue, you can see the continued strong growth in Risk. While STM maintained its improved growth rate, and Legal delivered a further pickup in its growth. These strong growth rates together with the sustained recovery in Exhibitions took underlying revenue growth for the group as a whole for 8%. Electronic revenue, representing 83% of the total grew 7% underlying with the strong growth in face-to-face activity more than offsetting the print decline given the overall rate of 8%. There was a one percentage point drag on overall growth from the effects of biennial events cycling out in Exhibitions. While currency movements were broadly neutral at the group level, resulting in reported revenue growth in sterling for 7%.

Risk and Legal delivered strong underlying growth in adjusted operating profit, both slightly ahead of revenue growth, while STM underlying profit growth was in line with revenue growth. Exhibitions profit saw very strong growth, reflecting the increase in activity levels against the structurally lower cost base.

Overall, group adjusted operating profit was up 13% underlying, up 12% of total at constant currency, and up 13% in sterling to over 3 billion. Margins are up slightly in Risk and STM and up more in Legal as we continue to focus on keeping cost growth below revenue growth across the group. Exhibitions margins are now above the levels achieved pre-pandemic. Combined, these movements growth margins increased to 33.1%, and improvement of 1.7 percentage points.

Here's the group adjusted income statement showing the underlying growth of 8% in revenue and 13% in operating profit. The interest expense increased with the effective interest rate on gross debt, up to 4.6%, reflecting higher rates for dollars and for euros. The interest expense includes a charge of 26 million for the early redemption of a high-coupon bond. Without that, the effective interest rate would've been 4.2%. The tax charge was £553 million, with an effective tax rate of 20.4%. The tax rate benefited from non-recurring tax credits, which resulted in an effective rate below our normal ongoing rate. Net profit was close to £2.2 billion, up 9% at constant currency and up 10% in sterling. All that gave us adjusted earnings per share of 114 pence, up 11% of cost at constant currency and up 12% in sterling.

Here you can see how the higher earnings flow through to the cash flow, with EBITDA now over £3.5 billion. CapEx was £477 million, equating to 5% of revenue, leaving us with adjusted cash flow conversion of 98%, similar to typical levels pre-pandemic. Cash interest paid was £294 million. The increase reflecting higher interest rates. Cash tax paid of £619 million was higher than the income statement charge, which benefited from the non-recurring tax credits, which were non-cash. Total free cash flow was just under £2 billion. Here's how we deployed that free cash flow. We completed six more acquisitions during the year for total consideration of £130 million, the largest of which was Human API, a healthcare data platform that joins the life insurance segment within Risk. Total dividend payments in the year were close to £1.1 billion, and we deployed £800 million on the share buyback. Overall, the spend

on acquisitions, dividends, and share buybacks broadly utilised the full £2 billion of free cash flow. Year-end net debt decreased slightly as a result of currency translation effects.

Our priorities for use of cash are unchanged. Organic development remains our number one priority, and we continue to invest in the business with CapEx consistently 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, depending on the opportunities that arise. Average acquisition spend over both the last five and 10 years has been around £400 million, with 2023 a below-average year. We pay out around half of our adjusted earnings in dividends and have been able to increase the dividend every year for well over a decade. Leverage has typically been in the 2.0 to 2.5 times range. Strong cash generation, improving EBITDA, and modest acquisition spend in the year, mean that leverage is at the lower end of this range at the end of 2023 at 2.0 times net debt to EBITDA. We continue to return our surplus capital through the share buyback, with £1 billion of spend announced today for 2024, of which £150 million has already been deployed.

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.

We also perform well on those metrics where we can be compared to others. This is a selection of our key CR data showing that 2023 was another year of solid progress.

Our commitment to corporate responsibility continues to be recognised by external reporting agencies. We rated AAA with MSCI for an eighth consecutive year, and ranked second in our sector globally with Sustainalytics, in the top 1% companies, overall.

With that, I will hand you back to Erik.

Erik Engstrom: Thank you Nick. Just to summarise what we have covered this morning.

In 2023, we delivered strong financial results and we made further operational and strategic progress. The improving long-term growth trajectory is being driven by the ongoing shift in our business mix towards higher growth analytics and decision tools. Going forward, we continue to see positive momentum across the group, and we expect another year of strong underlying growth in revenue and adjusted operating profit, as well as strong growth in adjusted earnings per share on a constant currency basis.

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

Operator: We will now begin the question and answer session. To ask a question, you may press star then one on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two.

The first question comes from the line of George Webb with Morgan Stanley. Please go ahead.

George Webb: Thank you and good morning Erik and Nick. I hope you're both well.

I want to start off with two areas please. Firstly on the Lexis+ AI side, in terms of how customers are reacting around commercial launch, noting that this is a platform upgrade, are you expecting customers to wait until the end of their renewal cycles if they want to make the upgrade, or are you seeing customers come into you ahead of renewal?

Then also around that, I know it's early days, but can you give any feel for the levels of initial commercial uptake you've been seeing as you've gone through that rollout?

Secondly, when you think about the M&A environment into 2024, you pointed out, Nick, that over the last few years, and particularly in 2023, it's been about smaller deals, that spend has been at a lower end. Do you expect that to change this year, based on what you're seeing in terms of your potential acquisition pipeline as well as the valuation levels out there? Thank you.

Erik Engstrom: Okay, I'll let Nick answer the second, but let me take the first here, that I think when it comes to something as important as the deployment of generative AI, I think we're likely to see a combination of both. Traditionally platform upgrades have come into play at the renewal cycle most of the time, which is typically three-year renewals, which is why deployment or penetration of new platforms come through gradually. But I think in this case, I think we're going to see a combination of both. I think we'll see some that wait to renewal, and I think we will see many that also step up as a new sale, as an upgrade, whenever they see it available. We will see, of course over time how that pattern develops.

You asked about early signs, because we are doing very well in the marketplace, we get very significant positive feedback from our customers. We track a significant number of internal metrics on that, but because it's a competitive market and we have other players also participating, we have not been disclosing and don't plan to disclose detailed tracking of what those metrics look like. But it's a very, very positive early launch that I think our customers are very happy with and that we are very happy with.

Nick Luff: George, on your question on M&A, and obviously as you know, our focus is on organic development primarily in the business, and there's lots of opportunities to continue to grow, continue to adopt new technologies within the business

without acquisition. But we do look for where there are things that can enhance and accelerate that organic development. We will look at acquisitions that typically means they are in what you might call bolt on size. Obviously what happens from year to year very much varies with the opportunities that are there, but there's nothing different in the pipeline and range of opportunities that we see today than normal. Last year happened to work out to be a relatively low year, but that was just the way it fell. No change in approach and nothing particularly different in the pipeline. Valuation's not the key, really. Obviously what matters is the value to us, and that's where we see opportunities that can add value to our business, we'll go after them, but it does vary from year to year.

George Webb: Appreciate that. Thank you both.

Operator: The next question comes from the line of Adam Berlin with UBS. Please go ahead.

Adam Berlin: Yeah, hi, good morning. Thanks for taking the questions too from me. Firstly on STM, can you give us some metrics on the journals business for this year? Submissions, articles published, growth in number of paid-to-publish articles? That would be very helpful just to understand the dynamics there.

The second thing is can you give us the impact of the biannual events returning in 2024, the pounds impact or percentage impact to help us model exhibitions revenue for 2024? Thanks.

Erik Engstrom: Again, I'll ask Nick to answer the second one here.

On STM, in the journal business, as you know, the main driver of that business is the long-term volume growth in the industry. The long-term driver, of course, is the increase in number of researchers in the world that continues to grow and we expect to continue to grow. But how that then impacts their research activity and submission to us is a key driver, and the number of article submissions to us increased significantly last year. So that if you now look at an absolute growth rate, maybe you need to average two years typically. Because it was again higher this past year than it was the year before and it came back pretty rapidly. But if you look at the two together, we're back in the strong growth, high single digits that we've averaged over a longer term historically, and you would probably take as a typical increase in the long run.

So back to very strong growth, even if you take a two-year average, not just the very strong one we had last year. When it comes to the submission to pay-to-publish, that grew even faster. We're talking now at, depending on how you define some of the ones where they opt later, we're talking about submission growth rates in the 30% plus category, and we're talking about number of articles published in pay-to-publish, growing at 20 or 20-30% range in the past

year. So it's very continued, very strong growth and that looks very healthy to us. And Nick, on Exhibitions?

Nick Luff: Yeah, Adam, the cycling events, the biennial cycling events, as you say, and we are now really back to the normal historic pattern, and being an even year, 2024 will be a cycling in year. So, you'll see a boost in the overall revenues from that. But that typical, if you look back in history, 5%, 6%, plus or minus, depending on whether it's cycling in or cycling out, that's a good guide.

Adam Berlin: Great, thank you. Can I just have one more question? Any comment on Germany? I know that you don't comment on specific deals, but can you tell us if the German universities are signing up to the new project deal and if there's momentum there? Thanks.

Erik Engstrom: Well, as I said, the main driver of growth, growth in volume and growth in revenue in the primary research segment of our STM business, is volume growth, volume of article submissions, and therefore over time what we publish. And as you have seen, if you followed us for a long time, as many of you have, you notice that the exact method with which they pay, whether pay to read or pay to publish, or if they buy together or separately or how they buy, doesn't seem to have had much of the impact on the growth trade trajectory historically. And I expect that to continue, that the main driver is going to continue to be volume growth and that how they pay and how they buy together or separate, again, is not likely to have a very big impact on the growth trajectory going forward either.

Adam Berlin: Okay. Thank you very much.

Operator: The next question comes from the line of Carl Murdock-Smith with Berenberg. Please go ahead.

Carl Murdock-Smith: I thank you for the questions. Two from me.

Firstly, just in terms of your comments, you said that you expect both STM and Legal to continue on the improving growth trajectory. I just wanted to ask what you mean by trajectory there. So, do you expect further acceleration from the 6% in Legal and 4% in STM, or do you mean for it to simply continue at that higher growth rate relative to historic? Then secondly, along the same theme, I was wondering if you could just comment on pricing discussions with customers, particularly as inflation comes down, or whether you're finding your pricing discussions not really impacted by inflation as your growth has been in the past. Thank you.

Erik Engstrom: Yeah, so I'll again cover the first, and I'll ask Nick to cover the second on pricing.

Well, as we say in our press releases, as you've seen, is that the improving growth trajectory over the last few years, and in this year, continues to be

driven by the ongoing shift in business mix towards higher growth analytics and decision tools. That's our strategy, and it continues to be our strategy, and therefore the growth objectives for both STM and Legal, the growth objectives are to continue on this improving trajectory. That means to continue to drive the business mix shift towards higher growth analytics and decision tools.

However, to develop, to deploy and then to sell these tools, have a certain cycle, and those divisions are 75 to 80% subscription-based, often with three-year contracts that roll through. So therefore, I think you have to continue to assume that the improvement in growth rate is going to come through gradually over the next several years, that this is not a one-year flip, and it isn't what we have had, and it's probably not what you're going to see going forward. But when I say the growth objective is to continue on the improving growth trajectory, that's what I mean.

Nick Luff: On the question on inflation, our pricing has never really been that influenced by inflation, whether it's high or low. It's all about the value we can provide to customers. And across the growth is being driven by the introduction of new tools, new features, new data sets, new analytics, and of course, if we get greater adoption of that across a range of customers and each individual customer taking up more of those tools, you will see increased spend from individual customers. But that's not really an increasing price. And if you look at any kind of unit pricing metrics, actually it's typically will be coming down and representing that additional value. So, we've not seen a change in that. So, the inflation rate in the general economy is not particularly relevant to our pricing.

Carl Murdock-Smith: That's fantastic. Thank you very much.

Operator: The next question comes from the line of Nick Dempsey with Barclays. Please go ahead.

Nick Dempsey: Yeah, good morning guys. I have three questions. So first of all, Thomson Reuters last week was talking about price contributing about three and a half points to their revenue growth and that was on a group basis.

Obviously, quite a lot of that is legal. Nick just talked about price not being a very relevant part of what you do. So is there a true difference between how Thomson Reuters and you are thinking about price and Legal, or is there perhaps a definitional difference here between whether we're talking about customers spending more or a true price increase? That's the first question.

Second one, can you give us an indication of the underlying market trends that you are currently seeing in both Insurance and Business Services within Risk? So are you seeing some tough comps now in Insurance after last year's good start for the year? Just an understanding of that picture now.

And the last question, you've already answered a couple of questions on Lexis+ AI. I just wonder if you can give us a bit more of an indication of this interest. So are we talking about hundreds of law firms? And within firms, are they taking that product, that platform on a widespread basis across the firm so you'd see a noticeable difference on their spend or are we talking about a few units or geographies trialing it?

Erik Engstrom: Maybe Nick will take the first one as a follow up to the price question.

Nick Luff: Yeah. Nick, obviously, you have to ask other companies when they talk about price and exactly how they describe it. But I think the point for us is it's about each customer taking more modules, taking more analytics, and taking up more of our content sets and so on.

So that should lead to an overall increase in spend from that individual customer, but we wouldn't regard that as price. They're getting more value for the additional spend. So that's how we would characterise it.

Erik Engstrom: So if you go onto Risk, I would say basically as expected, we saw last year, towards the end of last year, continued improvement both in new sales and in activity levels in Business Services. So Business Services growth rate within Risk has gradually been coming up over the last few months and continues that way in the beginning of this year. And as you said, they are actually now lagging a slightly less strong growth period in early 2023. So we expect that to continue.

And then on the other hand, Insurance that had that ramp up towards the end of 2022 and grew very strongly during all of 2023. They are now starting to [ ] a time when they grew a little more strongly than they have in the past. So we would expect that the overall growth rate on top of that now may be then moderates down towards historical averages relatively soon.

And that's exactly what has happened over the last month or two. And as a whole, that division therefore continues to grow almost exactly in line with what we had expected and what it has done at this time of year most years when they have a good year. So it's on track for what we expected. And as you said, slightly moderating in one and slightly accelerating in the other.

The last part you asked about Lexis+ AI, and yes, we are seeing very strong interest, very strong uptake. We had many thousands of law firms signing up for the initial commercial insider program. We had certain advantages and certain previews and tests and other.

And since it's gone commercial, we have seen many firms signing up fully with large and wide deployment and significant step up in usage. And we've seen some others that have done smaller initial tests, but it's a full range and it's very active out there. Very active.

It's very positive and the feedback we are getting is very good, and we've gotten some very specific reports on how much they estimate they save in time and effort and so on that are of course very feature specific and function specific and very private to each firm. But it is very positive and we have basically a full range of the alternative that you mentioned. It is not one that's dominated.

Nick Dempsey: That's great, thank you.

Operator: The next question comes from the line of Tom Singlehurst with Citi, please go ahead.

Tom Singlehurst: Yeah, thank you very much for taking the questions. Tom here from Citi. Three, if it's okay, two on AI and one on semantics, I think, is probably the right word, but on AI, Lexis+ AI, you've talked about, you've also launched Scopus AI within STM and one of the webinars you hosted explicitly said that it was an add-on charge for product.

I'm just wondering whether you expect that to have a distinct positive impact on STM growth in 2024 or whether it will just take time to work through in the same way that you described the impact at Lexis.

The second question on AI is around investment. Publicis have said they're investing a hundred million euros a year; WPP, £250 million a year; Thomson Reuters more than a $100 million a year. Can you quantify the investment that you are making, or have made and whether there's any incremental spend on AI beyond existing R&D budgets? Second question.

And then thirdly, I just really wanted to go back to that point you just made Erik on historical trends because all the way through last year there were constant references to historical trends either go above them or in line with them.

I suppose I'm just trying to get a sense of whether you are signaling that we've had a period of above trend growth and we're going to be slowing down or whether the new level, the new base that you've set in 2023 is the new normal. Those were the three questions. Thank you.

Erik Engstrom: Okay. Yeah, I'll cover the first and the third, but maybe I'll cover the first and ask Nick to do it in order here. Right.

So on AI, yes, we have several initiatives in STM. The ones that have been announced to the market would be the Scopus AI, which was announced last summer and then launched commercially recently. And then we had, of course, ClinicalKey AI, which was announced now a couple of months ago.

And the difference between the Legal division and the STM division is that the Legal division has a main core platform that's being used across over 60% of the customer base, may be even more overtime. And that core platform is then

leveraged internationally. And we put feature and functionality on top of that or embedded in a fully integrated platform, so that Lexis+ AI is an integrated platform that then would have feature and functionality launches within it.

STM, even though it's technically behind the scenes the same infrastructure, it then has several different and separate products that are sold to the market that then have their own AI tool kit on top. And they will therefore be brought to market at different times and separately, which means that any one of those will have a smaller impact on the commercial progress of the division individually, but of course, taken together over time, it's going to be a significant positive impact.

So if you look at Scopus AI specifically, it's a very sophisticated high-end embedded research platform tool and it is not covering a large part of an STM division.

So therefore its impact commercially to us is going to be gradual and will take time to come through and drive any impact on revenue growth for the division. But the customer feedback has been very positive. The customer interest has been very high.

We had a very high number of customers engaged with us on this platform over the last few weeks on different types of introductory calls and presentations we have had. But it's going to be gradual and we'll take time to have a commercial impact.

Nick Luff: Tom, the second question on investment, et cetera, on AI, look, we're always of course spending on and investing in adopting new technologies, either AI or anything else.

Building new data sets, building new products, and generative of AI is obviously a significant opportunity, particularly for legal, but also for STM as we've been discussing.

But what we're putting into it and behind it is really where are we directing our resource, where are we directing our spend. And it's not really changing the overall amount that we're spending and putting behind the growth opportunities.

And of course, the other thing generative AI gives is internal opportunities to make ourselves more efficient, our internal processes, and we're obviously working on that as well.

So when you put all that together, we're obviously putting a lot of focus and effort into the generative AI opportunities, but that doesn't change our overall approach of ensuring that cost growth remains below revenue growth in all of our businesses as we go forward.

Erik Engstrom: On the third question, the fact that we have now stopped referring to historical trends in my comparisons is an accurate observation. Of course, we have used the reference to historical trends a few times for several years now, but we have stopped doing that because the company has now had several years of our improving growth trajectory in both revenue and profit.

So the question of what we are referring to when you say historical trends has become less clear to some of our observers. So we moved off of that and instead focused on describing our growth objectives very clearly overall, as well as by each division and then in the guidance, in the outlook for each year, describing what we see for that year very precisely so that it is clear the range of growth we expect right now.

But just to make sure that it's clear, we do not expect the improving long-term growth trajectory to stop or reverse. Our objective is to continue on this, improving long-term growth trajectory, which is driven by the shift in business mix that we've talked about.

But if you then bring that down to each division, we say that for the Risk division is to continue to drive strong growth in the current range, for STM and Legal to continue on this improving growth trajectory. Even though it will be gradual, it's primarily subscription, it will come in over time and for Exhibitions to now operate in the higher growth, higher value, higher growth, and higher margin environment that they have now ended up in after the pandemic redefined the opening of that business.

Tom Singlehurst: Very clear. Thank you very much.

Operator: The next question comes from the line of Steve Liechti with Numis, please go ahead.

Steve Liechti: Yeah. Morning everybody. Thanks for taking the question. I've got two, please. First of all, on STM for Databases and Tools, I know you put it together in your commentary with Corporate Primary Research, but can you give us a harder figure for STM Database and Tools as a percentage of that division maybe this year and last year? I've got 40% in my head, but I just want to confirm that. That's the first question.

And then on Exhibitions, you mentioned it there actually in your last comments, on a faster long-term growth rate. Given the business as it is structured now today, what do you think would be a good like-for-like growth rate going forward from here? Again, in my head, I've got 5 to 6% organic growth historically, was the right number for you in the old days. Thank you.

Nick Luff: So the first question on what proportion does Databases and Tools represent, it's just under 40%. And then if you put in corporate primary research as well, you go towards 45%.

Erik Engstrom: And on Exhibitions, I've said this before that in the near term on Exhibitions, we are 100% focused on capturing the growth opportunity that exists there, which last year was the reopening, as well as other opportunities. But now and going forward for the next few years that we're really 100% focused on the growth opportunity and the value uplift we see from the introduction of new data-driven digital tools and the commercialisation of that. But it's very clear to us now that Exhibitions is on track to become a higher value add, higher growth and higher margin business going forward than it was before COVID.

It's going to be higher value add based on the fact that we are introducing a range of digital tools and we have increased the rate of innovation, the pace of innovation in that business now. It's going to be higher growth based on the improving ability that we have developed to commercialise this higher value add, and it's going to be higher margin based on the structurally lower cost base that we now have in the business. So that's the direction that we are going. Exactly how big that value uplift will be, exactly how much higher the growth rate will be, I guess we will see over the next few years.

But it is going to be all of those three, I think that's pretty clear to us. But I would assume that over the next few years, it's going to be higher than it was before COVID or the numbers you mentioned.

Steve Liechti: Right. Thank you. Can I just come back on Nick's answer on the just under 40% in Database and Tools? Was that in the current year? Could you give me an equivalent figure for... well, sorry, when I say current year, I mean 2023. Can you give me an equivalent figure for 2022? Just because I would expect that business to be growing faster, therefore the proportion to be increasing.

Nick Luff: Right. It doesn't change that much year to year. As you say, it is growing faster, but as a proportion, it doesn't make that much difference in a single year.

Steve Liechti: Okay. Thank you.

Operator: The next question comes from the line of Konrad Zomer with ABN AMRO ODDO. Please go ahead.

Konrad Zomer: Hi, good morning. Thanks for taking my questions. I've got two. The first one is on your networking capital requirements, one of the beauties of your business model is that because of the subscription based part of your revenues, networking capital tends to be negative, if you like. Is the structurally higher growth rate of your revenues going to have an impact on your networking capital requirements longer term?

And my second question is on Exhibitions, you already explained the reason why you think margins could structurally improve because of the digital tools, etc. But can you share with us what you think the split might be between higher growth and the scalability and higher margins or just higher margins because of

the hundred million pounds of costs you took out during the pandemic? Thank you.

Erik Engstrom: I ask Nick to cover the first one here.

Nick Luff: Yeah, currently, as you said we do have a good work proposition with payments upfront for many of our products on a subscription basis so operate with negative working capital. As the business grows, I don't anticipate any significant shift in that. It can clearly, in any one year, just vary a little bit depending on exactly what happens around the year-end in payments and things. But I structurally, I don't see anything that's shifting it in any material way going forward.

Erik Engstrom: And then when it comes to Exhibitions, there are really two sides to this. One is that, as you can see for the actual 2023 results that you now have seen, Exhibitions has now come back with a structurally lower cost base. So that's the starting point. That's now a historical fact, the way we look at it. But then going forward from here, our strategy will be in Exhibitions, as for the rest of the company, to manage cost growth below revenue growth on the cost side. Number one priority is always to drive higher value add to our customers, to drive higher revenue growth. The second priority is always to manage our cost growth to grow below revenue growth. So from here going forward, you will continue to see that differentiation on an ongoing basis. The structural change has taken place and the difference between organic cost growth and organic revenue growth is what you'll see going forward.

Zomer Konrad: Okay, thank you very much.

Operator: As a reminder, if you wish to register for a question, please press star followed by one. The next question comes from line of Sami Kassab with BNP. Please go ahead.

Sami Kassab: Good morning, gentlemen. I have three questions please. The first one is on STM. And given that France, Canada, Switzerland, Finland have yet to renew their long-term journal contract, can you please comment on the renewal campaign? Is it going a little bit better than last year because of Germany? Is it going a little bit less well because of other countries? Can you comment on the journal renewal contract please?

The second question is on the Legal division, given the geopolitical nature of the US legal information market, and given the sizes of Thomson and your business, historically your organic revenue growth rates for both companies have been quite similar, and Thomson is now talking about 9% organic revenue growth for the legal division. Is that a target you think achievable for RELX Legal division as well, or is Lexis losing market share?

And lastly, in the midst of COVID in '21, Erik, you were asked whether Exhibition had a long-term future within RELX, and if my memory serves me well, you then answered that before deciding on the fate of the division, you had two key objectives or conditions which were to normalise post COVID and to add more technology to the division to improve the value add. Both conditions have been met. Can you update us on the long-term future of RX within the group? Thank you.

Erik Engstrom: Well, on STM, as I said before, the main driver of primary research is the volume growth and the trajectory of that, which we talked about the numbers earlier. When it comes specifically to renewal cycle this year, it is going well. It's a good year, it is probably going slightly faster than the average over the last few years. So it's a good year. But again, as I said before, it is becoming less and less important exactly how people buy and the payment model because the main driver is that continuous volume growth.

When you say at Legal, we find it very difficult to try to interpret exactly how other companies report their growth rate and the different segments as those segments don't seem to match ours specifically. So I don't want to comment on what they are or what they have forecasted. I mean, when we looked at what we have seen from last year, from 2023 actual, we don't see much of a difference in growth rate. I mean, you can look at what we report with 6% organic revenue growth for Legal for the last year, including 10% of print and including our news service in that. So we think that's very good growth for us, and we have been on a very good and improving direction for us, and we know that we are delivering very high value tools to our customers and that the new tools are developing well and delivering very good value. That's what we stay focused on.

We have respect for our competitors or our peers, and I think it's good that they are also doing well, but we don't see any reason to believe that any of those numbers would indicate a loss of market share in any way or a loss of value share. If anything, we believe that we were probably slightly organically out slightly earlier in the past year with the new AI tools, but that's our view of course, and I think you should ask them about how they feel they're doing.

When you get to Exhibitions, yes, as I said a few minutes ago is that we have been focused, as you said, on the recovery from COVID and capturing new value uplift from the data driven digital tools that we're introducing. And it is, as we're doing that, it's becoming very clear to us that this is on track to become a higher value add, higher growth and higher margin business than it was before COVID. And we can see that it's going to be a more valuable business going forward. I mean, it's already a more valuable business today than it was before COVID, and from what we see, it's very clear that's going to be a more valuable business in a few years than it is today. The question is just how big is that value uplift going to be? And I think it's too early as we're in this improving trajectory to estimate the scale of that value or the pace of the value uplift. I think that will take us a few more years, but it's really on a good track right now.

Sami Kassab: Thank you.

Operator: Ladies and gentlemen, this concludes our question and answer session. I would like to turn the conference back over to Eric Engstrom for any closing remarks.

Erik Engstrom: Well, thank you for joining us today, and I look forward to talking to you again soon.