

RELX
9 Month Trading Update

Conference Call

24th October 2024

Transcript



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Nick Luff:

Morning everyone. Thanks for joining us today. As you would have seen from our press release this morning, well, it's delivered underlying revenue growth of 7% in the first nine months of 2024, in line with the first half of the year. Electronic revenues, which represent 85% of the total, underlying growth was also 7%. With strong growth in face-to-face revenues off-setting print declines. Our improving long-term growth trajectory continues to be driven by the ongoing shift in business links towards higher growth analytics and decision tools that deliver enhanced value to our customers across market segments. Portfolio outlook remains unchanged both at the group level and to each of the four business areas. We continue to see positive momentum across the group and 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.

Turning to the performance of each business area. In Risk, underlying revenue growth was 8% in line with the first half. Growth continues to be driven by our deeply embedded analytics and decision tools across segments. In Business Services, which represents around 45% of revenue, growth continues to be driven by Financial Crime and Compliance and digital Fraud and Identity solutions with strong new sales. And Insurance, representing nearly 40% of revenue, growth was driven by the further expansion of solution sets across insurance markets, as well as continued positive market factors and new sales. In Specialised Industry Data Services, representing just over 10% of revenue, growth was led by Commodity Intelligence.

In STM, underlying revenue growth was 4% in line with the first half. Growth continues to be driven by the evolution of the business links towards higher growth segments. Electronic revenue growth continues to be offset by print declines, with print continuing to shrink at twice the usual rate this year. Growth in Databases, Tools, and Electronic Reference which represents around 40% of divisional revenue was driven by higher value-add analytics and decision tools. Primary Research continues to be driven by volume growth, with article submissions growing very strongly across the portfolio, especially in pay-to-publish.

In Legal, underlying revenue growth was 7%, up 6% of full year 2023, and in line with the first half of this year. The strong growth continues to be driven by the shift of the business towards higher growth, higher value-add, legal analytics and tools. Lexis+ our integrated platform leveraging extractive AI continues to perform well. The rollout of Lexis+ AI, a new platform leveraging generative AI continued to make good progress in the US, and recent launches in international markets have been positively received.

In Exhibitions, underlying revenue growth is 13%. The strong growth reflects the improved growth profile of the events portfolio, and a favourable

comparison with the early part of the prior year. We continue to make good progress on value enhancing digital initiatives.

And with that, we're ready for questions.

Operator:

Thank you. We'll now begin the question and answer session. To ask your question, you may press star then one on your touch-tone phone. If you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. Your first question comes from Nick Dempsey with Barclays.

Nick Dempsey:

Yeah, good morning guys. I've got three questions please. So, first of all, at the half year stage in STM, you talked about print declining roughly double its usual rates of mid to high single digit. Has that pattern continued since we heard from you in July, and what you can see going forward? And do you have any colour for us on whether that weaker trend might continue into 2025, or whether we should flip back to that usual rate? Second question, positive market factors in insurance within Risk. Is there a point maybe in 2025 where you face tougher comps on those market factors? And so those factors stop boosting insurance growth inside the risk calculation. And the third question just on Lexis+ AI, you talked at the first half positively about your competitive positioning that you were doing at least as well as anyone else, I think is what you said. Is that still the case that you feel very positive about your competitive situation there?

Nick Luff:

Okay, Nick, thanks for those. Yeah, taking it in turn, the STM print decline, yeah, it's continued at much the same pace. So, the position at the end of the third quarter cumulatively was very similar to what it was at half year. So, no particular change. As you say, that is double the normal rate than we've seen in recent years certainly. What that means for next year? Don't know, too early to say. Obviously, the comps will reflect these years numbers, but we'll have to see. It can be a little unpredictable and a little lumpy. But of course, given the rate of decline, it will be smaller. So, the print drag will continue to diminish over time. And the improving electronic growth, which of course is key to the overall growth trajectory in STM, hopefully you'll see that coming through. And then your second question on insurance, the positive market factors. Yeah, it has been strong, particularly in auto shopping and switching in auto have been strong.

Obviously, that does mean next year we'll be lapping that. But you've seen the overall growth rate in the Risk division has been very consistent for a number of years. You've got dynamics with Insurance and Business Services being influenced by different factors. We are seeing Business Services gradually improve. And so, we'll have to see how they interact during next year. But certainly, up to now they've been very balanced, and that's why you see that consistent growth we've seen overall for Risk. And your last

question on Lexis+ AI. Yeah, I think we're pleased with the progress, pleased with the enhancements that we're adding to the product, pleased with the quality of it. And I think our market position remains as good as anyone's. I would remind you that we have a seminar on legal coming up next week. I'm sure you'll be listening to that with Mike Walsh, so I won't say too much more now, I'll be stealing his thunder. So perhaps I'm sure he'll give you a good sense of where we've got to in that seminar next week.

Nick Dempsey: Thanks Nick.

Nick Luff: Thank you.

Operator: Your next question comes from George Webb with Morgan Stanley.

George Webb: Hi, morning Nick.

Nick Luff: Hi.

George Webb: Two from my side. Firstly, I guess we saw in the third quarter in the US, the launch of a small class action against some of the research publishers, including Elsevier, mostly around from the structure of peer review system, but maybe the publishing model more broadly. Wondering if you had any thoughts around that you could share? And then just secondly on Legal, maybe next week we have to wait for it, but are you seeing any effects positively or negatively from Lexis+ AI on your ability or the rates at which you've been cross-selling some of those other legal analytics products? I guess we can see the growth in Legal has obviously been stronger this year, but is it proving purely accretive to spend with clients, or is there any element of it taking the budget away from spend around some of those other legal analytics areas? Thank you.

Nick Luff: Yeah, I'll look the first question on STM and the business model there. Look, I think it's important to say that what our role is here, we are always working to support authors and our customers in a way that is sustainable. Our overall strategy is to provide higher quality at a better value to customers every year. The publishing processes, scientific publishing are well established. You do sometimes get legal cases around various aspects of the process from time to time, but I would say we haven't seen any new issues raised in recent times and remain confident that the process is sustainable and effective for the integrity and the advancement of science. Your second question on Legal+ AI and cross-selling. Obviously, Lexis+, which is the integrated platform, really helps to enable customers to buy and consume the analytic modules by bringing them all together in a single platform.

Lexis+ AI is adding generative AI functionality on top of that across the whole platform, and it is very effective in terms of helping lawyers become more efficient, help them make better decisions. And so, it's not really a question of the budgets within law firms. If it is an effective economic thing for them to do, they're economic actors and they'll take up the product. But if you want to dive into that a bit more, rather than me talking about it now, Mike Walsh, I'm sure will cover that in the seminar next week.

George Webb: Great. Thank you.

Nick Luff: Thank you.

Operator: Our next question comes from Tom Singlehurst with Citi.

Nick Luff: Hi Tom.

Tom Singlehurst: Hi there. Sorry. Apologies. Yeah, morning. Thanks for the presentation. Thanks for taking the question. First one, US government exposure across each of the divisions. I was wondering whether you could quantify that? And then just whether you see any particular different implications on outcomes of the presidential elections and the change of federal government, if that happens, that would be very useful. And then the second question, and I suspect you're going to say wait until next Thursday. But on AI, can you give a sense of the delta in cost? And I know it's going to be a little bit tricky, but if there's a sort of bog-standard price for Lexis+, how much of an uplift is it to get the full generative AI capabilities? I'm conscious I might have to wait a week for that.

Nick Luff: Yeah. Your first question, US government exposure. Clearly in the Risk division, we have a specific business unit, which is about 5% of the Risk division's revenues aimed at government, but all sorts of different parts of government, both at state level and at federal level. Different agencies helping the government, particularly with combating fraud and things in government support programs and things. So, there it is pretty clear. In the other divisions direct exposure is not particularly high. They're one of many consumers of our products. And politics change all over the world all the time. We're very used to that. I think what we provide across our businesses, the value-add we provide to all our customers, including in government, continues to be the key driver of their decision-making and what they choose to take from us. So, I'm not sure we see any significant change just because politics keeps changing as it does.

Your second question on Lexis+ AI, and I think it was around the spend levels. Lexis+ AI is a significant enhancement. It has a good impact on the efficiency and effectiveness of lawyers and time savings they can make depending on

what they're doing. And it is priced separately. It is a premium tier offering over and above the Lexis+ without the generative AI. Exactly what that looks like for any user customer, of course, varies hugely. It depends which content sets they take. It depends on what they have before. And so, the uplift is not an easy figure to calculate, but it is a meaningful uplift. But as you've predicted with your question, I'm sure Mike Walsh give you a flavour of it in next week's seminar.

Tom Singlehurst: That's great. Thank you.

Operator: Your next question comes from Thyman Rundberg with ING.

Thyman Rundberg: Yes, good morning. Thanks for taking my questions from my side.

Nick Luff: Morning.

Thyman Rundberg: Sorry to bother again on Lexis+ AI. Just a quick one on that front. So, you just mentioned as well, it's a premium tier offering, a meaningful uplift, but you've launched the tool a year ago. How have those conversations impacted, let's say, basically, do you have now a better view on the incremental value the new AI functionalities bring to customers, and how has it helped you to more accurately price based on that, or has that pricing changed, let's say, compared to a year ago? And then the second one is a bit more broad on product development and its impact on organic growth going forward. So given the new products or new modules are key to improving your organic growth trajectory, Lexis+ AI is of course a key one here. I was wondering if you could highlight the main new initiatives that can materialise your organic growth profile? Thanks.

Nick Luff: Yeah, sure. Your first question on Lexis+ AI. Again, I think that's something that Mike will cover in terms of the value uplift in the seminar next week. But you can measure, and we've had lots of feedback constantly to see the number of hours that a lawyer on average can save. We are measuring that all the time, and we can see that value. And also, the product's improving all the time as well, and we're adding functionality and capability into it. But I'm sure Mike will cover that in more depth next week. Your second question about organic growth more generally. You are absolutely, right. That is our key focus across the group and developing new products, new analytics, new decision tools in all our segments is key to driving the organic development. That is a very broad range of things that we're doing and using new content sets, using new compute power as it becomes available, using new technologies such as generative AI, and that's relevant across the board.

It would take me a long time to pick out individual initiatives. I think if you look at any one segment as new data sources, whether it be in Insurance, in

Business Services around identity verification within Risk, whether it's using applying generative AI to broader and broader content sets and adding functionality in Legal. In STM, is relevant there to. So, we've got product developments. You've already seen us launch things like ClinicalKey AI and Scopus AI. We've now got Sherpath AI, which is a nursing education tool in the market, various other product initiatives going on. So, it is a broad range of development across all of our segments.

Thyman Rundberg: For sure, thanks a lot.

Nick Luff: Thank you.

Operator: Again, if you have a question, please press star then one. Your next question comes from Sami Kassab with BNP Paribas.

Nick Luff: Morning, Sami.

Sami Kassab: Good morning, Nick. Two questions please. The first one, can you comment on the STM print decline? To what extent that acceleration in the rate of decline is driven by strategic decisions that management is taking, perhaps in terms of pricing, perhaps in terms of volumes on the front list versus broader market trends that you do not control? And secondly, have you started to see any cost efficiency gains from deploying Gen AI initiatives internally? And if so, can you comment what you're doing with the cost efficiencies please? Thank you, Nick.

Nick Luff: Yeah, sure. On the STM print decline. Look, it is a small part of our overall revenue base now, and so is not a strategic focus. All our focus is on the development of the value-add electronic tools and analytics. And so print, if customers still want that format, we will provide it to them and price it appropriately. But it is a little lumpy. And it is declining, and as I've said this year, it's declining at twice a normal rate. But that's not our focus and not where our management team spend their time. They're focused on how to add more value through using the content and data sets we've got, applying technology, developing the analytics, and driving growth through the electronic side. On the second question, cost efficiency from Generative AI. Absolutely, we see generative AI as a real opportunity to improve the efficiency of our existing operations, whether that's in coding or in editorial work or in our support functions.

Generative AI can be something that and is already something that is enabling us to improve our own efficiency. I would say that's part of our culture. As you know, our first objective is to drive organic revenue growth. But as importantly as we do that, we make sure we keep our cost growth below revenue growth, so that we get profit growth that's ahead of the

revenue growth as well. And we're constantly looking how we can make our existing operations more efficient by moving, automating processes, moving data into the cloud, moving activities to different locations in the world, and using technology on our own operations. And generative AI is something that we are using, and we'll continue to use in that efficiency drive. But I think you need to see it in that context. It's the one thing we're using to continue on that trajectory of keeping cost growth below revenue growth.

Sami Kassab: Thank you, Nick.

Nick Luff: Thanks Sami. Thanks everyone for joining us today. And we'll talk to you with the full year results in February.