

RELX PLC

Trading Update Call

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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 underlying revenue growth of 7% in the first nine months, and we continue to see positive momentum across the group. Our improving long-term growth trajectory, with a higher quality growth profile, continues to be driven by the ongoing shift in business mix towards higher growth analytics and decision tools that deliver enhanced value to our customers. The full year outlook for this year is unchanged, both at the group level, and for each of the four business areas.

In Risk, underlying revenue growth was 8%. In Business Services, which represents over 40% of divisional revenue, strong growth continues to be driven by Financial Crime Compliance and Fraud & Identity solutions, with strong new sales. In Insurance, representing around 40% of divisional revenue, strong growth continues to be driven by the extension of solution sets, positive market factors and strong new sales.

In STM, underlying revenue growth was 5% with developing momentum supported by the increasing pace of new product introductions, and renewals and new sales ahead of prior year. Databases, Tools & Electronic Reference, which represents around 40% of divisional revenue, delivered strong growth, and the recently announced next generation end-to-end AI-powered researcher solution has received very positive feedback. In Primary Research, which represents a little over half of divisional revenue, good growth continues to be driven by very strong volume growth, with article submissions growing by over 20% and articles published growing by 10%.

In Legal, underlying revenue growth was 9%. Renewals and new sales remain strong across all key segments. In Law Firms & Corporate Legal, which represents around 70% of divisional revenue, double-digit growth is being driven by the continued success of Lexis+ AI, our integrated generative AI platform. Protégé, our next generation AI legal assistant, continues to see rapid growth in usage and further expansion of use cases. Our most recent launch, Protégé General AI, has been very positively received.

In Exhibitions, underlying revenue growth was 8%. The continued strong growth reflects the improved growth profile of our event portfolio and good progress on value-enhancing digital initiatives. To summarise, we delivered strong underlying revenue growth in the first nine months. We continue to see positive momentum across the group, and an improving long-term

growth trajectory with a higher quality growth profile. And, with that, I think we are ready to go to questions.

Operator

Thank you. 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. If at any time your question has been addressed and you would like to withdraw your question, please press star, then two. Your first question comes from Adam Berlin with UBS. Please go ahead.

Adam Berlin

Hi. Good morning, Erik. I've got three questions, please. I was interested to hear you talking about the growth in Risk, and particularly the growth in financial crime and compliance as being particularly strong. Can you just talk about why the growth in financial crime and compliance is strong? It's not an area you talk about that often, so be good to get a bit more information about that. The second question is about Legal and the Protégé product. What I'm trying to understand is, are you selling that Protégé product just to law firms who are not using Harvey, or do you expect that law firms can take both Protégé and Harvey, and how do you see the difference between those two products? That would be really helpful. Then can you explain a little bit about what this next-generation AI research solution product is? How is that different from what AI-powered Scopus does currently, and why do you think that's going to drive further revenues? Thank you.

Erik Engstrom

Let me do those in order then. In Risk, we continue to see very strong growth across market segments in Risk. FCC is one of them. In the business services segment, the two large segments there are actually FCC, financial crime compliance, as well as fraud and identity solutions. Those are the two big blocks. For the last year or two, we've actually continued to see very strong growth in financial crime compliance to a large extent. That's driven by the fact that we have, as we do across all our segments in Risk, an innovation machine where we keep driving new additional higher value add solutions, leveraging new technology that we keep launching and rolling out. But in addition, this is a long term structural growth market, and I don't see that a long term structural growth in this is going to slow anytime soon. So it's the combination that we're seeing there of our

product innovation, launch rollout machinery, and the long term structural growth of that market, which is very parallel as well to most subsegments in our Risk division.

The second question was about Legal. Well, we look at it this way, that our Lexis+ AI platform is the core integrated, and we believe, leading legal research platform, leveraging extractive AI and generative AI. And on that platform, we have built Protégé , which is the next generation virtual legal assistant, effectively, that gets to know you, follows you, and helps you integrate any content from anywhere, or any search tool, or any type of other technology tool from anywhere. Our primary objective is to ensure that our AI solutions are accessible to our customers at every relevant touch point in their ecosystem. And as we do that, we collaborate with partners to integrate our AI offerings into all those platforms, including Microsoft and including Harvey, that you said. The way we look at it is that the legal tech ecosystem, which is much bigger than the legal research ecosystem that we're part of traditionally, the legal tech ecosystem software tools and workflow tools there is a few multiples larger, and there are about 3,000 different vendors that we have identified there. And a typical law firm probably uses about 100 or 200 legal technology tools at some point. Our objective is to be integrated with as many of those as possible. And we currently maintain what we consider formal partnership with about 25 of those players in that ecosystem. And therefore, we want Lexis+AI and Protégé to be accessible at as many of those as possible. Harvey is one of those. It does not include or exclude any other selling or any other approach other than what we're doing with every other partner that we have. We want our tools to be accessible at all of the touchpoints where our customers actually could benefit from that and see higher value.

The third point in STM, we launched in customer preview a few weeks ago, what we refer to as our next generation end-to-end AI-powered researcher solution. It aims to transform the research workflow, really. And we think of it internally as the next generation of ScienceDirect AI, and conceptually equivalent to what we've done in Legal with Lexis+ AI and a virtual research assistant, conceptually similar to Protégé . So the approach we're using, the methodology, the approach we're using in STM for the research solution is very similar to what we've done in Legal with Lexis+AI and Protégé . So that's the way we should see it. And we think that this is going to It's going to have a significant impact over time in the researcher world as well.

Adam Berlin

Just one follow-up, Erik, because I just want to understand it fully. You could have a law firm that's using Harvey, Microsoft and all these different tools you mentioned, but it's also paying you not just for the Lexis AI+ platform, but also additionally for the Protégé product. And that law firm could be paying all those fees, and that would be a perfect strategy for them.

Erik Engstrom

Yes, absolutely.

Adam Berlin

Thank you. That's very clear.

Operator

Thank you. Your next question comes from George Webb with Morgan Stanley. Please go ahead.

George Webb

Yeah. Good morning, Erik. Just a follow-up with regards to the new STM solution as you were just discussing. As I think you just mentioned, I think it's currently in closed beta. The Elsevier press release says available for purchase early next year, but included if you already take ScienceDirect AI. Is that the right way to think about the timing of the launch and the monetisation approach? So outside of ScienceDirect, it will effectively be new to customers. Thank you.

Erik Engstrom

Yes. The timeline, I have nothing to add on the timeline other than their press release, because of course, they communicate with their customers from the STM division first, and we just align with that from the corporate perspective. So the timeline that they have announced is therefore the current timeline with our customers. And it's true, you should think about it as a next generation upgrade to ScienceDirect AI, and that it's an integrated research solution that will then be sold separately, priced separately, and with a generative capability that can be your virtual research system then built on top and several more iterations to come over time, just like what you've seen in Legal over the last, well, we're really in Legal, two and a half years into now having continued to upgrade and evolve the Lexis+AI and Protégé experience. I think you should think of it as conceptually very similar, but of course, now starting a bit later, but because of the collaboration and the coordination, it's going to follow very closely behind.

George Webb

It's helpful. Thank you, Erik.

Operator

Your next question comes from Nick Dempsey with Barclays. Please go ahead.

Nick Dempsey

Good morning, Erik. I've got three, please. First of all, you've called out double-digit growth for law firms and corporate legal within your Legal division. Based on the bookings that you're seeing currently from that customer base, is it fair to say that you would expect to see some acceleration in that line over time, so a slightly better flavour of double-digit, based on the bookings you're seeing? Second question, just coming back to the new end-to-end research AI offering. Presumably, it's a little bit harder to squeeze budget for incremental products out of this customer base compared to in Legal. Can you just talk about the dynamics of how you are persuading those end customers that this enhancement to workflow is worth spending extra on? The third question, maybe you can just give a feeling for whether your renewal conversation with US institutions in STM have been any different to normal as a result of the potential challenges to their budgets that we've all been tracking. Thanks.

Erik Engstrom

Well, first, the double-digit growth in law firms and corporate legal. To those of you, many on this call have followed us closely over the years, it was probably already clear that if the division grew 9%, which we had at the half year, that the faster growing segment, law firms and corporate legal, would be double-digit, because the rest, the news and business and academic and government, has typically been a little bit of a slower grower. And so we describe that as good growth. So therefore, the double digit is more of a clarification of the two different segments, which I think many of you had already figured out. But your question is actually, what is happening to this going forward? The way we look at it is that the objective for legal is, as we always said, to continue on the improving growth trajectory, to continue to add more value to our customers, to continue to launch products that add more value, that they will adopt those and therefore use them more, use more of them, and therefore spend more with us so that our growth rate continues to improve. All indicators that we have is that we're on the right path on that in Legal as well as in other areas.

And in law firms and corporate legal, we believe that we're on the right path to continue to do that. However, you do have to keep in mind that 85% of the Legal division is subscription-based and it's typically three-year subscriptions, and therefore, that the improvement in growth rate that you have seen will continue to come through gradually. And exactly when each piece will take over to the next percent on a rounded basis is not clear at this point. But our objective is to continue to improve that underlying growth rate. We are on the right track to do that, but not clear exactly when it will take over again. The second question on Research AI solution. Just like with our other higher value add analytics and decision tools that we've launched in Risk over the last 20 years, we continue to launch in Legal with legal analytics over the last decade and now with the Gen AI-based tools, we do not think of it as persuading our customers or trying to figure out if they can

squeeze more budget. We look at them as value-enhancing tools. And when we present them to our customers, they will see them and decide how much additional value they get from them.

And typically, the way they are priced, the way they are positioned, the way they value is that we only price them to take a small fraction of the significant upside value that they see from them. So we expect that the customers that see the most value will be most eager to use it first. And then over time, as the product evolves and as our customers evolve and see the transparency of the additional value, we see increased usage, increased user penetration, and therefore increased spend, and gradually improving growth from that area. But we see it as a value uplift to our customers, and we expect that they will see it the same way.

The renewals. It's too early to tell if there is any specific situation that you talk about in the US at this moment. But I think it's important to keep in mind that this is a very global business for us. We have, I think, close to 15,000 institutional customers around the world. We have customers in 180 countries, and the different budget cycles go in different cycles at different times in different countries or in different scientific disciplines. We have been through many difficult periods over the last 200 years when we've operated our primary research business.

We always try to work with each one of our customers in each geography in each situation to make sure that they can work their way through any challenges that they might have, and that includes next year. But as you might also have seen, that we've almost never seen those economic cycles have any materially impact on the actual underlying growth of our STM division because it's so global, it's so diverse, and it's so subscription-based. So we haven't seen any at this point, specifically. That does not mean that there won't be customers that have significant challenges. But historically, when we work our way through this, it has not turned to be material to the growth trajectory of that division.

Nick Dempsey

Thanks, Erik.

Operator

Thank you. The next question comes from Sami Kassaab, with the BNP Paribas. Please go ahead.

Sami Kassaab

Thank you. Good morning, gentlemen. Now, out of the 200 or so questions I had a chance to ask you over the last 20 years, these may not be the very best ones I'm going to ask, but this will

clearly be my last. Erik, Risk is growing at 8%, Exhibitions is growing at 8%, Legal is growing at more than 8%. Do you see any structural reasons why over time, STM may or may not reach 8% as well? Secondly, there has been a lot of talk on AI as a growth accelerator or as a growth disruptor, but can you please elaborate on how applying AI internally to your content creation process, to your customer and marketing service, to your own technology layer, how is that changing the nature of the business? How much productivity gains do you think generative AI can create for RELX? And lastly, can you please comment on the copyright regime of open access articles? Can Elsevier and the other publishers decide on the copyright regime they want to apply to open access so as to prevent new entrants like open evidence from accessing your content by applying the right copyright regime, say, CC-BY and CNC, or is the copyright regime on open access imposed on the publishing industry by the research funders, by academia, and therefore not in your control. Thank you very much, gentlemen.

Erik Engstrom

Hi, Sami. I'll take the first question, and then I'll let Nick handle the second and the third question. Then I'll come back and cover the fourth question. So on the growth rates of our different areas, as you correctly pointed out, Risk, Exhibitions, Legal, all now at that 8% plus, which we consider very strong growth. STM, in the long run, should have the potential to move up towards those levels if we continue to leverage those tools into areas where our customers can see the significant value uplift that the tools provide them with in academic research, but also in applied research, in more commercially-oriented uses of scientific research. Research is a main driver of global economic growth. It has always been that way, will continue to be that way. And I believe that AI-driven digital tools that are content-based and based on the vast content sets that we have will continue to help add value to customers in the research, global research ecosystem, and as well in the global health care ecosystem. So I think the potential is there, and I think the potential is going to be there for a very long time.

However, because of how serious and regulated and sophisticated these industries are, and how complex and complicated the underlying data sets are, and the longer sales cycles in our customers, it will come through very gradually. So it might take us several years to get there, significantly longer than it's taken in our other subsegments. But I think the potential is there, and we can see those trends starting to emerge. Nick, would you like to cover the next two?

Nick Luff

Yes, Sami, you're absolutely right. Of course, the AI and generative AI in particular is a big opportunity internally. Clearly, the most important thing about it is what it can do for our products. We've obviously talked a lot about that already today. But also, as you question and implied, we

have the opportunity to use Gen AI in our internal processes. Obviously, there's a lot of things we do, processing content or coding, software coding, or use in sales and marketing or use in support functions where process can be made more efficient. We can use that to actually make our products even better. You can actually process more content and have more content that you've been able to handle and tag and link and so on, which can make the product even better. So that's one use of using that efficiency. They do things at a scale you couldn't before. And also, of course, you can reduce costs of doing things right across the board using Gen AI. And that, of course, is what enables us, notwithstanding the resource that we're putting into new product introductions, entering adjacent markets and so on all the time. That all costs money.

But we can do that and still keep cost growth below revenue growth, as we've been doing for many years in all of our businesses. That's why we believe using tools like Gen AI to help us, why we believe we can continue to do that. And your last question on open access and copyright. There's actually a range of different arrangements around open access and copyright. The vast majority of our open access articles are actually subject to copyright. But there is a choice. Customers have a choice depending on what they want to do, what their funding body requirements are. We offer journals right with a spectrum of different choices around copyright, and that's what we've always done.

Erik Engstrom

Then, Sami, back to the fourth question, which you didn't ask, which is I would just like to comment on your 20 years, and I'd like to say a big thank you for having been with us for so long and so diligent. You've always been very knowledgeable, very inquisitive on these calls, but always with a constructive tone and your unique personal charm and friendliness. So I'd like to give you a big thank you. And also wish you good luck in the future.

Sami Kassab

Thank you very much. Thank you.

Operator

Thank you. Your next question comes from Steve Liechti with Deutsche Numis. Please go ahead.

Steve Liechti

Morning. Can I please take three as well. First of all, just on events, can you give us any clarity on forward booking trends there? Just thinking about next year, anything to call out. Secondly, just on In the US, the NIH APC, well, proposals review period that's now finished. Just any views

there in terms of the options that they gave on APCs, and if you give any clues on your average APC or at least a range? And I just wonder within that, sorry, further question, just whether that might stimulate other people to limit APCs around the world. And then the third question is just on your general AI product, which is now launched out there. Just give us a bit more information in terms of positioning that product and how that fits in with your portfolio of AI products more generally. Thank you.

Erik Engstrom

Okay, I'll ask Nick to cover the first, and then I'll move on with the others.

Nick Luff

Yeah, Steve. Obviously, Exhibitions, we have what we It's considered to be a higher value-add business than we had previously with a higher growth profile. The events, the portfolio we now have, we slimmed down and focused on the real growth opportunities. And with the digital on top of that, that's what's helping to make that business a faster-growing business than it was historically. Obviously, at any moment in time, it varies between sectors, between geographies, between particular events, but there's nothing to call out at the moment. As you can see from the results, there's good momentum in the business.

Erik Engstrom

On the second question regarding the NIH policy changes and evolving policies. The way we see it is that we've operated in this business, again, as you know, some of our journals continuously for over 200 years. During that period, we've seen a lot of changes from many different funding bodies in many countries, and it will always continue to evolve. We see our position in this industry as the largest, higher quality, highest quality player among the large players. We think of ourselves as having higher quality content, better technology, and lower effective price per unit, unit of value, than the other major suppliers. And we can position ourselves around any change in any regulation, any policy from any area, and look at how we can position ourselves to offer the quality tiers and the pricing tiers that each funder is looking for. As you know, we have around 3,000 journals today. We launch between 50 and 100 new ones each year. They're all at different quality points. They're all at different subsegments of science, and they're all at different pricing tiers, but they're all on our leading technology platform and distributed that way. So we will always keep adjusting. I do not believe that any one of these announcements at any given point in time will alter that strategy because it will always keep evolving as it has for the last couple of hundred years, and we will continue to evolve with it based on our ongoing positioning with very high submission growth, very high quality content, and the ability to continue to evolve our journal

portfolio and our technology with it. The last question, if I understood it right, was on Protégé general AI and how that evolves within the product ecosystem. Is that correct?

Steve Liechti

Yes, exactly.

Erik Engstrom

The way we look at it is that this is a continuation of our primary objective in the Legal segment, which is to, again, to ensure that our AI solutions are accessible to customers at every relevant touch point within their ecosystem, and that our tools can be used with any of their other operational legal ecosystem tools. So that means that you can now use Protégé for your firm-specific content, for our research content, for your own personal content. If you then want to go do something that's what does the general AI tool say about this? How does that look compared to this? You can do that at the same time, integrated, separated, however you want to look at it, but have the overlay of our trust the content, our verifiable tools on top of it. It's going to be very clear exactly what you're using, how you're using it, how trusted it can be and so on. But we can do it from within our ecosystem, and Protégé can follow you and help you wherever you would like. We're going to help you. So it's a natural evolution, and we think an important natural evolution that we know already that our customers value, and that therefore increases their usage of Protégé at the different touch points. So that's how it fits in our strategy.

Steve Liechti

Great. Thank you. To be 100% clear, it doesn't open up any of your wall garden content to general LLMs and stuff like that. It's effectively just using the LLMs as a tool within Protégé .

Erik Engstrom

Yes, exactly. That's absolutely correct. We are using today many different LLMs at the moment. We continue to be technology agnostic and multi-model by design for LLMs. So inside our legal generative AI tools today, we use more than a dozen different LLMs today, and they're all under contract as firewalled and internal and built inside our unit for our content and firm content. This is also being able to use them on other broad web and open content as one of the flows. Absolutely crystal clear inside which is which and what you're looking at and how trusted it can be, but it follows the exact same principles as an industrial-grade internal firewall content. It's not putting our content there, in their environment, it's using their tools in our environment and without putting our content there, without any access to that.

Steve Liechti

Thank you very much.

Operator

Thank you. Your next question, it comes from Thymen Rundburg with ING. Please go ahead.

Thymen Rundburg

Good morning. Thanks for taking my questions. First one is on renewal discussions in Legal. I was wondering if you could elaborate a bit on that and how those renewal discussions are progressing with clients, especially in the light of the rapid adoption of Lexis+AI and Protégé . I was wondering if clients are referencing competitor AI solutions as well or whether they're expressing new expectations as part of these conversations. And then the second question, we discussed now the new AI-powered solutions in Legal and more recently in STM. But I was wondering if you can share more about the pipeline for new AI-powered products that you're currently working on across your divisions. Where do you see the biggest opportunities for now? Thanks.

Erik Engstrom

Yeah, on the Legal renewal side, as we operate in Legal, on mostly on rolling three-year renewals. They take place throughout the year, and the main renewals take place every three years. It's 85% of that whole division is multi-year agreements. We continue to see and be involved in those discussions all throughout the year, which is different from some other areas where they're on an annual calendar basis. But here we continue throughout the year. And therefore, the adoption, the uplift that we're seeing, that we have seen and continue to see, are a good reflection. The second version of that, as I think we started to tell you a while back, is that we also do new sales, and the new sales we have had the vast majority of all our new sales are of Lexis+AI or some combination of our integrated generative AI offering. And on renewals, we have a majority, or actually a pretty clear majority of our renewal revenue comes from Lexis+AI or other generative AI integrated platforms at this moment. And that has continued. We've crossed that half of the renewals being generative AI inclusive probably about a year, year and a half ago now, and it has continued to increase a bit since then. So the trends are upwards, and we continue to see more and more adoption and more conversion at the renewal point. If you look at the adoption curve, Lexis+, which was the first integrated legal analytics platform, integrating extractive AI, which was launched four or five years ago. That was a very high value tool, and that continued on a certain adoption curve. That means that after four years in, we're at 80% or so revenue penetration. This time around with the Lexis+AI. The penetration curve has been similar, but a little faster. And

because it is a high value add and our customers see it, it's probably moving slightly faster than the last version, the Lexis+. And we have always seen competitors in our marketplace. We think of ourselves in the legal industry as a technology-enabled challenger. We've been focused on higher, more higher value, more cutting-edge technology a little bit faster than the established players in that market, the established older research providers. We continue to think of that as a priority for us, and we'll continue to drive that going forward. There has always been competition. It will always be competition, but I haven't seen anything that has changed recently in that.

You said pipeline new AI products in the other divisions or across divisions, we continue to see significant opportunity to leverage new technology across the company in all four of our divisions. We have an established machinery for new product identification, launch, piloting, and then roll out across the whole Risk division that we've been doing for a very long time. It's very established. It's mostly extractive AI machine learning algorithms. The Risk division is now over 90% machine to machine, embedded calculations. That machine is going to continue to operate. We think there's a tremendous upside there, in particular as generative AI technologies enable fraudsters to do things at a different scale and with more sophistication, the defences that our customers will need to build is very significant, and we will help them with that. So we see a significant upside there with new AI tools from our perspective to add value to our customers there. Legal, I think we've talked about. We're still at the beginning of the impact of generative AI on the upside value in the legal research business where we've been historically, but also the generative AI tools opens up many workflow opportunities for us to go into areas that for us are white spaces in other segments of legal tech and legal workflow, where we haven't historically played, but it's a very large opportunity today and will continue to get larger. In STM, we covered the long term opportunity that it's going to come gradually. It's a complex global fragmented industry, both in research and in healthcare, but the opportunity is that it's significant and will come in over a longer period of time. And last but not least, in Exhibitions, we continue to build data-driven digital tools that we continue to build, test, and launch in different industry segments at different exhibitions. And what we continue to see is that most of the tools that we introduce add significant value to the customers of that event. We see significantly higher value add to the customers who use the tools than those who don't. And we will continue to test, launch, and roll out many of those tools over several years. And we see significant upside in value creation for our customers there as well.

Thymen Rundburg

Thank you. Very helpful.

Operator

Thank you. Your next question comes from Henry Hayden from Rothschild & Co Redburn. Please go ahead.

Henry Hayden

Good morning, everyone. Three from me. Firstly, with Risk, comments from one of your competitors in auto insurance indicated that LexisNexis has been flexing its scale. Would it be possible to get some incremental colour on this from your end? Is that coming from pricing? Is it more aggressive bundling, faster pace of innovation, or is there something else? And further, what's incentivising this competitive ramp up? Secondly, on Legal, what are you seeing in terms of the financial state of the underlying industry? How would you assess the state of the sales cycle? Is there elevated budget capacity for new solutions? Just any colour there would be very helpful. And then finally, just on capital allocation, we continue to see leverage to come down below the target range. Should we expect a continuation of the strategy of bringing that back up and returning that in the form of buybacks? Or is there an appetite for more M&A at this stage? If the latter is in an area you're specifically looking for a deal in, and is there a possibility that that could be larger in scale?

Erik Engstrom

Thanks. Maybe we'll do this here. Maybe I'll ask Nick to cover the first here because I'm not aware of anything.

Nick Luff

No. Look, I think we have a very strong position in the auto insurance market. We provide a lot of value and we're continually innovating. We've been growing that business for 30 odd years and introducing new products constantly. We have an approach of adding value. We don't raise prices of the existing tools because we create more value by introducing new things. And that's something we've been doing for a long time, and that's absolutely continuing. And it's a competitive market, of course, but we have a very strong position in it.

Erik Engstrom

Now, on the second question, it disappeared a little bit in the middle there, so I'm not sure I fully understood what you were saying. Could you please repeat the second question?

Henry Hayden

Yeah, I was just curious on the financial state of the legal industry for law firms and how you're assessing the current state of the sales cycle, how much budget capacity is coming into the market.

Erik Engstrom

Okay. Yes. No. So there are lots of different indicators of how the legal industry is doing that we look at mostly third-party research, for example, studies and things that are published, and we then check that against our own experience without trying to build our own model. But we take them all in and we check it. What we are seeing at the moment is that the legal industry is in what I would describe as relatively good shape at the moment. Things seem to be going relatively well from all those indicators, and that matches what we are seeing in our sales cycle, that that our customers are running their business. They care a lot about what they should be caring about which is their customers and their competitive environment, their own performance, and the service they deliver to their customers. But they're also very interested in how they can leverage the new tools that are coming to the market that we're offering, and we keep launching and explaining to them how they can leverage those to get a competitive edge in their market so that they can provide higher value to their customers and change their competitive positions or operate better. So it's a receptive industry to our type of product launches and rollouts at the moment. And then on the third question, I'm going to ask Nick to cover that again.

Nick Luff

You're right in the sense that at the end of last year, our leverage was $x.8$, so below the two to two and a half times range we normally target. And of course, we did announced a bigger buyback this year, probably to reflect that. And the last leverage, the number we published for the half year was $2.2x$. So that was in the range. Now, of course, our shareholder returns, both buyback and dividends, tend to be first half biased. So mid-year leverage tends on average to be a little bit higher than year-end, but we'll see where it comes in at the end of the year. In putting that in the context of M&A in that context, the most important thing to say is that our focus is on organic development. I think, as we've been talking about on this call, the opportunities to grow the business and to roll out new products and add new value to customers organically is our biggest opportunity, and that's what we're primarily focused on. We will make acquisitions where we think they can enhance and accelerate the organic development, but they need to fit with that organic development. So there are things that can help us accelerate, and we'll continue to look at things and see what opportunities arise on the M&A front. But it is with that approach, the buyback that we set every year is, as I just described for last year or for this year, is then used effectively to balance the overall capital structure and to keep us in and around that range that you described for leverage.

Henry Hayden

Very clear. Thank you.

Operator

Thank you. This concludes our question and answer session. I would now like to turn the conference back over to Erik Engstrom for any closing remarks.

Erik Engstrom

Well, thank you for joining us this morning for our trading update, and I look forward to talking to you again soon.