

**RELX Group plc Teach-in on Legal
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Corporate Speakers

- Mike Walsh; RELX Group plc; Chief Executive Officer, Legal
- Sean Fitzpatrick; LexisNexis Legal & Professional; Managing Director of the North America Legal business
- Jeff Pfeifer; LexisNexis; Head of Product Management for North America
- Josh Becker; LexisNexis; CEO, Lex Machina

PRESENTATION

Mike Walsh

Good afternoon, everyone. I'm Mike Walsh, I'm the CEO of the RELX Legal division. I'm a lawyer by training, having graduated from Harvard Law School in 1993. After that I went to work at Weil, Gotshal, which is a major U.S. law firm. I then spent some time at General Electric as in-house counsel, so I've seen both the law firm and the in-house counsel side of this industry.

I joined LexisNexis back in 2003 where I was the Head of Strategy. I took on a series of line roles after that and I've been the CEO of the business since 2011.

Today, I'm going to give you an overview of our Legal business and after that I'm going to ask Sean Fitzpatrick, who is our Managing Director of the North America Legal business, to give you an overview of that unit. That's going to be followed by a demonstration of our Lexis Advance product, then our Lex Machina product and then, of course, we'll break for some drinks.

So I like to start with our position in the RELX Group. This chart gives you a breakdown for fiscal year 2015 with revenue on the left and our profit on the right. And as you can see, the Legal business is 24% of the revenue and 15% of the profit of the RELX Group.

LexisNexis is a leading provider of analytics to the legal and business professionals in law firms, corporations and government. We do business in more than 175 countries. Overall, we employ about 10,000 employees worldwide, including 2,000 sales and marketing professionals. Many of these individuals are former lawyers who developed deep legal knowledge and expertise in our products and services and many of them have multiple years of experience working for us.

Our content and data sets date back decades. This is our heritage and it's a key capability for us that's hard to replicate. We have some of the most authoritative and valued brands in the legal industry.

Our technology links all this content together and creates a comprehensive and integrated ecosystem that enables our customers to rapidly access the information or the analytics

that they need and it's really this combination of distribution, content, brands, and technology that give us a unique and a sustainable position in this market.

In 2015, our business generated over GBP1.4 billion with over two-thirds of our revenue generated in North America, and by format 80% of our revenue is now electronic and over 80% is actually subscription based. The majority of our online subscriptions are multi-year, averaging three years in length, and we have some transactional revenue, which is primarily books and some pay-as-you-go content.

We have a strong global footprint. Our products are offered in most countries and we have market-leading positions in the countries here highlighted in red. There are three global players in the market, ourselves, Thomson Reuters, and Wolters Kluwer, and a number of country-specific smaller players. We're the number two player overall and the number two player in the U.S. In most non-U.S. markets where we play, we're number one. The landscape varies by country. In the U.S., there are two broad-based providers, LexisNexis and Thomson Reuters and multiple niche providers like Wolters Kluwer and Bloomberg. Outside the U.S., each country typically has one to two global providers with a local presence and one to two leading local players.

But even in markets where you have two or more large players providing information and targeting roughly the same types of customers, the competition is not always head to head. Each provider has unique content, unique tools and capabilities that provide different value for our customers.

We operate in the global legal information market, which represents over \$18 billion in annual spending. This market is large because information is highly valued by the legal industry. The market stayed broadly flat since 2012. The U.S. represents the majority of spending, followed by Europe and Asia Pacific. And today the markets are quite small in Latin America, Africa and the Middle East. In total, this market represents about 2% to 3% of our customers' revenues.

Our strategy in the market has been consistent for several years. Our priorities are to progressively introduce analytics and decision tools that deliver unique and enhanced value to our customers. It's to leverage our global New Lexis platform and infrastructure coupled with a continued expansion content sets to drive primarily organic growth.

And our final priority is to continue to upgrade our operational infrastructure, drive process efficiency and gradually improve our margins.

So what do we mean when we say we're introducing electronic decision tools? Historically, our business has been in electronic reference solutions. These solutions help professionals search and retrieve critical information. The value comes from being able to find and use a key piece of information or a document that otherwise would be impossible or difficult to find.

Over the last several years, we've been evolving our business toward electronic decision tools. These are offerings that analyze the underlying content and data sets or provide workflow tools to help professionals make better decisions.

In their most advanced form, they can predict case and legislative outcomes, and guide legal case strategies. Decision tools can be standalone applications or they can be functionality that is integrated into our existing applications.

Taken in aggregate, we are building a comprehensive ecosystem of research, know-how, workflow and analytics based on our content assets that assist lawyers in each of their critical use cases, helping them to be more efficient and more productive.

Our migration to decision tools has been enabled by our New Lexis technology platform. New Lexis represents the entire underlying infrastructure for delivering a variety of applications to our users. Lexis Advance is one application that sits on top of this New Lexis infrastructure. These applications provide functionality that can be specifically tailored to customer groups, specific geographic market needs. We pull content into a state-of-the-art product platform that allows us to integrate our capabilities in ways that we never could before. The business and back office systems that support our product applications are integrated into the New Lexis infrastructure.

And this technology platform gives us a clear, competitive advantage in scale, processing speed, content linking and drives innovation because it allows us to leverage common content across multiple applications. We've rolled out products on the New Lexis technology in the U.S., Canada, Australia and New Zealand, and going forward, we'll be rolling out into further markets.

Now, let's take a moment to discuss how the underlying technology for New Lexis works and why it is so difficult for anyone else to replicate this. If you look at this picture from the left to right, you can see how we enable analytics and decision tools on top of our content. On the left, we start with the data, which can either be structured or unstructured data. We ingest massive quantities of data from more than 50,000 data sources in varying formats. And in total, we have more than 2.5 petabytes of legal data. And we ingest more than 13 million new documents daily.

We can very quickly and efficiently add value to this data. We combine our high performance computing cluster, HPCC technology, with a data-centric programming language to refine and process this data. We enrich and mark up the content by identifying billions of entities like the name of attorney, a law firm, a company or a financial award, creating new metadata for analysis. The next step is linking all this information together using linking algorithms and ultimately creating a legal knowledge graph.

The legal knowledge graph has billions and billions of triples or links between relevant data points. These links enable advanced analytics on the underlying content such as entity resolution or clustering. We apply statistics, predictive analytics and artificial

intelligence technologies such as machine-learning and natural language processing to the data in order to provide customers with meaningful insights that they need to do their jobs.

The New Lexis product ecosystem supports a variety of use cases. Now, this chart here shows an illustrative attorney workflow and there are many potential workflows. Let me briefly talk about a few of the cases in the workflow. In the center of the chart, you see research. Research is the origins of our business and this activity is integral to attorneys in their daily workflow. Our analytical tools are continuously making this process more efficient. Over the last several years, we've been broadening the use cases that we address along this spectrum.

On the far left, you see current awareness, which means the practice of staying abreast of key developments to identify risks and opportunities in the legal industry. Our market-leading Law360 product is a daily news briefing on the legal industry that delivers breaking news to attorneys every morning. It is integrated into our flagship Lexis Advance application.

Over on the far right, you can see that we also support the business development use case. For example, Lex Machina is a legal analytics tools in which the attorney can identify law firms they are competing with in order to win clients and business. And we're going to demo a number of these products for you later on today here.

But here is the important part. All of these products and capabilities are enabled by our New Lexis content and technology infrastructure that you see below in this chart and increasingly we're providing these offerings to our customers under an integrated multi-year set of subscriptions.

Now over the last five years our product portfolio has become increasingly focused on decision tools. Now these aren't precisely defined, but they represent most of the products in the top sections of these bars. Our solutions are increasingly sophisticated. They incorporate more analytics and are adding more value to our customers.

Reference solutions will continue to be important to us going forward, but our portfolio will continue to evolve toward decision tools and most of these decision tools are integrated into our New Lexis infrastructure.

Now, our business portfolio has evolved over the last five years. First, we've increased the portion of our revenue generated by legal electronic reference and decision tools from about 55% to over 70%. In aggregate growth in the category is in the low mid-single digits and it's improving. At the individual solution level, we are seeing our newest, most sophisticated analytical tools growing in the double digits, with slow growth in the traditional reference solutions.

A key priority for us going forward is to continue and accelerate this improvement, which occurs as we continue to release new analytics and workflow products into the market.

Second, today only about one-fifth of our business is print information, which continues to migrate to electronic. Third, our news and business segment, which was declining in 2011, has returned to low-single digit growth. Our newer solutions are also migrating to decision tools and the improvement has been driven by penetration of new products.

Finally, we've done a number of divestments. We divest assets that are either not aligned with our overall strategy or don't fit with our business priorities.

Our margins have expanded gradually and there is no single one item that's driving this expansion. Our progress has come in three primary areas. First, cost efficiency. We've reduced an average of four layers across the global organization and we've worked on rationalizing our HR, finance and legal functions. We continue to optimize our staffing footprint both in the U.S. and across the globe. And we're also leveraging RELX's scale to drive efficiencies in our real estate, procurement and data center costs.

A second driver of our margin expansion is in process improvement, automation and deploying Lean Six Sigma. We completed almost 500 projects in 2015 and we have more than 800 underway in 2016. We have over 800 people who are certified in Lean Six Sigma, leading these projects which focus predominantly on enhancing the customer experience.

Thirdly, another area of focus for us is technology cost. We're gradually eliminating our parallel infrastructure, eliminating the old won't come as a single event with a large cost cliff, but rather as a more gradual wind-down. As our customers increasingly move to our Lexis Advance product, we are decommissioning legacy products and we will continue to do so over the next several years. So far, we've decommissioned 30 old products and systems and we've got more than 100 still to go.

We're also moving our technology infrastructure to the cloud. We're about 10% complete on our cloud migration, which will play out over the next several years. And finally, we're reducing our server infrastructure. For example, we've reduced our server count by more than 20% since 2012.

So these are some of the opportunities that we work on every day and while the impact will show in our results gradually over several years, I am confident that we are going to be able to continue to expand our margins.

We've delivered consistent and improving financial performance, the business reporting 1% underlying revenue growth every year from 2011 to 2015 and I'm pleased to say that growth increased to 2% in the first half of 2016 and has remained there through nine months. This improvement is driven by the growth in electronic reference and decision tools that I highlighted earlier.

We are steadily improving our operating profit growth through our constant focus on operational efficiencies around the globe. Our capital expenditure peaked in 2011 at 12% and has been 10% per annum since. These continued investments are primarily in next

generation applications in supporting future revenue growth. I expect CapEx to stay around current levels in the short term and then gradually come back down into the high-single digits over time.

Our continued revenue growth and profit growth performance has translated into a 500-basis-point improvement in margin between 2011 and 2015. In 2014, about one percentage point of the 270-basis-point margin improvement was achieved through organic process innovation and the remainder was through portfolio changes. Now, as we know, first half margins are always lower due to seasonality. We improved first half margins by 30 basis points in 2016 and we're going to continue to gradually improve our margins through a combination of revenue growth and process efficiencies going forward.

Now, as you've seen, North America is the largest part of our market and that's where a lot of the innovation has been going on. And so I'm going to ask Sean Fitzpatrick, who runs our North America legal information business to come up here and take you through that in a little greater detail. Sean, over to you.

Sean Fitzpatrick

Great, thank you, Mike, and good afternoon. I'm Sean Fitzpatrick. I lead our legal information business in North America. I've been with LexisNexis for 11 years and I've been in my current role since mid-2014. Prior to that I ran a segment of the business that was responsible for small law firms, small- and mid-sized corporations and government entities other than the federal government. Prior to that, I had a variety of strategy roles across the business, and before joining LexisNexis, I worked for McKinsey & Co. as a consultant.

I'm going to share with you a brief overview of our U.S. legal information business and I'm going to cover our customers, our content, our brands, our technology and our distribution structure, just to give you a flavor for how we operate. We have a highly diversified set of customers. All of the Am Law 250 buy from us and no single law firm represents more than one half of 1% of our revenue. Nearly all of the Fortune 500 are our customers. We have a presence in most major government agencies and we are in all major U.S. law schools. Taken together, we serve a significant percent of the lawyer population and count tens of thousands of law firms as our customers.

The ends users we serve are diverse as well and include litigators, transactional attorneys, corporate attorneys, regulators and law enforcement professionals as well as distinct groups within those such as partners, librarians and associates.

Content is key and we continue to invest in exclusive content that is critical to our customers and is only available from LexisNexis. We've built strong positions in treatises, Practical Guidance, legal and regulatory tracking and analytics. We have the most comprehensive public records database in the industry and the most comprehensive news database in the industry.

As far as brands go, we have some of the most authoritative brands in the industry. Long, established brands such as Shepard's and Matthew Bender and emerging brands such as Lex Machina. These brands represent differentiated content and tools and drive strong customer loyalty.

We're also leveraging technology and we're leveraging the technology of our new Lexis platform. And this allows us to continue to strengthen the Lexis Advance product which sits on top of the new Lexis platform.

As far as distribution goes, we've also expanded our sales and marketing and support capacity. We provide our customers with 24/7 support and world-class customer experience. Growing law school and associate preference is also very important. And we have a comprehensive training program to ensure that our already strong law school preference translates into associate preference as those young professionals move from law schools into law firms.

Now, let me tell you a little bit about the market conditions in which we operate. Overall, the legal services industry continues to be subdued in the U.S. Legal employment is one key indicator of the health of our customers' business. This chart shows employment growth of our core base of customers, attorneys, paralegals and legal assistants.

These are the main users of our product. Employment for this group declined in 2009 as our customers right-sized their firms in response to lower demand. Subsequently from 2011 through 2015, demand has been relatively flat. In the long-term, the key drivers for growth in this industry are growth in regulations, growth in legislation and growth in commercial activity. And we believe that these drivers will support growth in the long-term for our business. In the meantime, we will continue to drive growth in the current environment by focusing on our strategic priorities.

Our strategy to deliver that growth focuses on three key priorities, continuing to expand our collection of content, particularly must-have content that is only available from LexisNexis; second, continuing to migrate our customers to the Lexis Advance product; and third, launching new decision tools and analytics that are based on our content. And I'll talk about each of these in a little bit more detail.

First, let's take a look at content. Content is the foundation of our products. Our legal information is comprehensive and unique. It's taken decades and significant investment to build this collection. We've been updating and growing this collection depending on type at a rate of between single digit and high double digit growth.

We have more unpublished case law decisions than any other provider and we have 70 more -- 70% more verdicts than any other provider. Our collection includes brands like Matthew Bender, which date back to the 1860s; CourtLink, which is a leading docket solution; and State Net, which provides daily alerts on legislative and regulatory activity.

We also have an extensive collection of Practical Guidance content, which is available through our Lexis Practice Advisor offering.

We provide unmatched public records content with 63 billion public records covering individuals and corporations. And we have over 26,000 license content sets, many of which are available only from LexisNexis. And all of this content is linked together to reveal a wealth of relationships that provides our customers with valuable insights. Our content is also enhanced by the deep legal expertise of our editorial teams. We have over 1,000 attorney authors from practitioners to professionals producing original content for our product and in addition to that we have hundreds of attorney editors who review and update this content.

Shepard's is a great example. Shepard's is a citator, and a citator is one of the most important tools in legal research. Our team of attorney editors provides expert analysis on U.S. case law to help our clients validate citations, which is why Shepard's is the industry's leading citator. Together, our content collection, our proprietary technology and our editorial processes create solutions that set us apart.

Our second priority is continuing the execution of the successful migration of our customers from Lexis.com to Lexis Advance. Today, 95% of our customers have access to the Lexis Advance product and 75% of our customers have access only to the Lexis Advance product. We continue to gather and act on customer feedback and we've been delighted by the positive responses that we received to our new analytics and decision tools products.

Migration to the new Lexis platform provides our customers with a number of things including deeper research capabilities, more powerful analytics and decision tools and the benefits of the product ecosystem which that technology supports.

So what does all this mean for improving the value proposition for our customers? Well, our customers will see a series of benefits and I think the best way to show you those benefits is through a product demonstration. In a moment, I'll have Jeff Pfeifer come up and demonstrate how we've integrated our decision tools into the Lexis Advance product and you'll always showcase the deep research technologies that our customers are using every single day.

And while our strategy is built primarily on our organic growth, we do do acquisitions as well, where appropriate, and a recent acquisition that we did was Lex Machina. So after Jeff's presentation, we're going to bring up Josh Becker, who's the CEO of Lex Machina to demonstrate legal analytics through the Lex Machina product.

So now I'd like to hand it over to Jeff Pfeifer, Head of Product Management for North America. Welcome, Jeff.

Jeff Pfeifer - Demo Lexis Advance

Josh Becker - Demo Lex Machina

Mike Walsh

Okay, thank you, Josh. That concludes our demos. So let me just sum up in overall conclusion, we're clearly operating in a subdued market, but there are three key things, I want to leave you with here today. We're launching information-based analytics and decision tools that deliver unique and enhanced value to our customers. We're leveraging our new Lexus technology and content to meet our evolving customer needs and we're delivering consistent and gradually improving financial performance.

That concludes our presentation.