

Trading Update Call

Thursday, 24th October 2019

Operator: Thank you for standing by, and welcome to the RELX trading update call. At this time, all participants are in listen-only mode. After the speaker presentation, there will be a question-and-answer session. To ask a question during this session, you will need to press *1 on your telephone. I would like to advise you that your conference is being recorded today on Thursday, 24th October 2019. I would now like to hand the conference over to your speaker today, Nick Luff. Please go ahead, sir.

Trading Update Call

Nick Luff

CFO

Thank you, Christiana. Good morning, everybody, and welcome to our regular Q3 trading update call. I'm Nick Luff, CFO of RELX, and with me this morning is Colin Tennant, our Head of Investor Relations. I'll make a brief introduction and then we will take your questions.

As you've seen from the statement this morning, we saw some improvement in underlying metrics compared to the first half across all four business areas. The reported underlying growth rates in STM, Risk and Legal were unchanged, while we saw a pickup from 5% to 6% in Exhibitions and from 3% to 4% at the group level. We continue to transform our business, primary through organic development, supported by selected portfolio actions. So far this year we have completed 12 acquisitions for a total consideration of £378 million. The most significant component of the incremental spend since the half year relates to the acquisition of a majority stake in Knowable, a contracts analytics business in Legal.

We've also completed £550 million of the previously announced £600 million share buyback, with the remaining 50 million to be deployed by the end of the year. The balance sheet remains strong. As we enter the final quarter of 2019, our full-year outlook is unchanged.

And Christiana, with that, we will now open the call to questions.

Q&A

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. Please stand by while we compile the Q&A queue. This will only take a few moments. If you wish to cancel your request, please press the # key. Once again, please press *1 if you wish to ask a question.

And your first question comes from the line of Katherine Tait from Goldman Sachs. Please go ahead.

Katherine Tait: Good morning, everyone. It's Katherine Tait from Goldman Sachs here.

Nick Luff: Morning.

Katherine Tait: Couple of questions from me, please. Firstly, on STM, I see you talk about the primary research and database tools showing slightly improved trends since the first half. Wonder if you could just give us a bit more colour on that. Do you think that's a sort of result of a sort of softening of the tone from some of the, you know, [inaudible] and some of the

other sort of consortia in the market, or is that – is that a sort of very different sort of aspect that you're seeing there?

Secondly, in Risk and Business Analytics, again just sort of picking into the comments around the improving market environment, is that something that you presumably anticipate going into Q4? Can you just give us a bit more colour around particularly what's driving that and also an update on ThreatMetrix? Thank you very much.

Nick Luff: Okay. Yeah, so starting with STM and the comment about the improving the underlying metrics versus the first half. I mean, there are a couple of things going on there. You know, obviously the overall growth rate is the same. The comparative is a little bit easier. You'll recall we had a small customer revenue stream in the first half of 2018 that was not in the second half of 2018, so that, if you like, has – in terms of the comparative, has dropped out. And the comment about database and tools picking up slightly, you know, I wouldn't overstate that, but we have done better in closing out some renewals in some of those analytical products, which is sort of helping the overall dynamics. So those are the things that are going on that we're pointing at.

I think in R&BA, the overall market environment – I think first of all, on business services, just note that we're saying it's at historical levels and has been since the middle of the first half, so the first quarter it wasn't growing quite as strongly as we'd previously seen, but back to normal, if you like, from Q2 into Q3.

On insurance, obviously there you've got these slow-moving trends over time and, looking back now, we can see that the market activity levels came off in Q3 last year. They bottomed out towards the end of last year, the early part of this year, and then have subsequently picked up. So, you know, we can't necessarily see what's going to happen next, but the comparatives are getting easier. Clearly, with three quarters of the year gone, overall market activity has not been as supportive as it was last year but, you know, we are running in a better rate today than we were at the beginning of the year.

And I think you also asked about ThreatMetrix. Last time we had a number on that was in July, when it was growing 30% year on year – we were running at that level. Not much has changed since then. I don't think we're going to give a growth rate every quarter for what is a subsegment of a subsegment but, you know, the business has continued to do well and, you know, that last reported number – running 30% up.

Katherine Tait: Thanks very much.

Operator: Thank you. Your next question comes from Nick Dempsey from Barclays. Please go ahead.

Nick Luff: Hi, Nick.

Nick Dempsey: Yeah, good morning, Nick. First one – I guess you're just starting to head into your standard renewal period for journals business and STM, and generally I think we always ask you this time of year whether the conditions for that that you're seeing are broadly the same as they were last year, so I'm going to get that one in.

Second question on Exhibitions – that's done a little better. When you look at forward bookings in your Exhibitions division, anything in there that makes you concerned when we're

looking at macro in the world? Anything in your forward bookings that makes you worry that might slow down next year?

Nick Luff: Yeah. Okay. I mean, the first one of those, journals, is – as you say, this is the time of year when we're entering a lot of renewal discussions. Too early to make any definitive comments, but the overall environment, I would say, is no different to what we've seen in recent years, so we'll see how that progresses. On Exhibitions, as you say, slightly better in the year to date now, notwithstanding the venue constraints in Tokyo. Looking forward, as ever, you know, across the portfolio you've got some pluses, some minuses. You know, we have a big wide range of shows – you know, lots of different geographies, different sectors. So some very positive still, and others less so. But in an overall mix, we can't identify anything that shows some overall trend is different. It looks very much the same as normal.

Nick Dempsey: That's great, thank you.

Operator: thank you. Your next question comes from Patrick Wellington from Morgan Stanley. Please go ahead.

Patrick Wellington: Yeah, morning, everybody. Couple of questions. Couple of existential questions, really. How can you have improvement in underlying metrics across all four business areas and yet only show an improvement in the growth rate in one? So I suppose the import of the question is, what are you trying to tell us with your improvement in underlying metrics?

And secondly, you've talked a little bit about the shape of risk. Your guidance statement implies that you'll have the same rate of growth as last year at the full year, which is 8%; you've done 7% at nine months. Again, what do you mean by that? If – you've talked about an easier comp in Q4. If you continue at the same business rate of activity that you're at now and you pass over that easier comp in Q4, is that enough to get you to 8%, or do you need a bit of underlying acceleration? Thank you.

Nick Luff: Thank you, Patrick, for those. I think you're probably looking for a little bit too much more precision than we can – we can give you, I think, on those.

Patrick Wellington: We know we're not going to get precision.

Nick Luff: I think, on the comment about the improving underlying metrics, I've referred to, in answer to the previous questions, about, you know, where things in STM were a little better. Obviously in risk, as you rightly say, we're up against easier comparatives, and indeed I – the point we made about business services has been running at historical levels since the beginning of the first half, and that has continued through this third quarter.

In Legal we continue to roll out new analytical products, which are, you know, doing well, and you've seen the improvement in growth rate in Exhibitions. So I think, you know, across the business we are seeing improvements. It doesn't necessarily mean that the revenue growth rate for a particular quarter is different to what it was previously, but overall we are seeing improvements.

And in your question about the outlook for Risk – the Risk division in particular, you know, clearly that is a business that's got two-thirds of its revenue from transactional activity, so we can't be precise about exactly where it's going to land. So you've got a few things going on

this year, the main ones being that the insurance market hasn't been as supportive as it was last year, you know, albeit the comparatives are now getting easier, but particularly in the first half – and the first half will be part of the full-year numbers, of course. The second you've had – Business Services had that growth that wasn't quite as strong in the first quarter. Again, that will make part of the full-year results, you know, albeit we're back to normal levels now. And going the other way you've got ThreatMetrix coming into underlying in February. So you've got some moving parts there, but, you know, we weren't – we're never going to give a precise forecast as to what that's going to mean in terms of outcome.

Patrick Wellington: But you're implying it's on the cusp. You know, it could be eight, it could be seven. You're very – you know, the trend would suggest you're very close.

Nick Luff: [Inaudible].

Patrick Wellington: Otherwise you wouldn't leave the 8 –

Nick Luff: So, you know, analysts interpret our – interpret our wording and make judgments, Patrick.

Patrick Wellington: Okay, thank you.

Operator: Thank you. Your next question comes from Adrien de Saint Hilaire from Bank of America. Please go ahead.

Adrien de Saint Hilaire: Yes, morning, everyone. Thanks, Nick. Just one quick question about Exhibitions. So it's tracking a bit ahead of your expectations. I would normally think that this is a business which comes with a high level of visibility, so what's changed in Q3 versus H1? Is it maybe some seasonality or phasing of shows? And did the 6% come as a positive surprise to you, or did you expect this to pick up in nine months versus H1?

Nick Luff: You know, the business has done well. We saw an uptick in various areas. Europe was slightly better. China was better. The US was a fair bit better, helped by some launch activity, which obviously we knew that was coming and the timing of those. And it just does depend on what particular shows you've got in a particular period, and some of them are faster growing. And, you know, that's come through. It's always – you know, we're having to estimate the impact of the venue constraints in Japan and how that offsets growth and improved growth elsewhere. So, again, you know, you can't be overly precise, but it is across a number of areas, but I particularly point to the US as being a bit stronger in the – in the third quarter.

Adrien de Saint Hilaire: Okay. And just to follow up on this, have you seen any signs that the trade war narrative is impacting the business around exhibitions?

Nick Luff: Not in an overall sense. You know, you'll always get individual shows and individual exhibitors at shows that are affected by their industry and how their industry is impacted by sanctions or different trade environments, so we always see that. But for every one of those, there's a positive in some industry somewhere else. And so, as I said earlier, in an overall sense, we haven't seen any change in tone or activity.

Adrien de Saint Hilaire: Thanks, Nick.

Operator: Thank you. Your next question comes from Adam Berlin from UBS. Please go ahead.

Nick Luff: Hi, Adam.

Adam Berlin: Morning, Nick. Just a direct question on STM. Are you saying that if the kind of what you described as positive business trends continue in the Q4, based on what you know already, that we should see an improvement from 1% to 2% based on what's happening, or do you need a further acceleration to get back to the 2018 growth rates?

Nick Luff: I think you've asked the same question that Patrick did about risk, and I'll give roughly the same answer. Look, as you know, some of the factors that were a drag in the first half in STM were not – won't apply in the second half. You know, the books comparative is – was tough in the first half. We did have that particular small customer revenue stream in the first half of last year that wasn't in the second half of last year. But, you know, the first half is obviously part of the full-year results, so we'll have to see. Clearly the subscription revenue is now pretty much set for the year, but we still do have a fair amount of transactional revenue to go in STM. Transactional revenue is around a quarter of the total. In a full year for STM, it's actually slightly more than that in the final quarter. So, you know, there's still some variability, so we can't be absolutely definitive.

Adam Berlin: But you know – you know how the October trend has been, so does that give you an indication for November and December? You know, if it stayed at that trend level?

Nick Luff: I think I've told you all I can tell you in the sense of how, you know, there is still some variability with transactional revenues and November and December, in particular, are still important months. So I wouldn't extrapolate a few days in October into the next two months. You just can't do that.

Adam Berlin: Okay. Thanks, Nick.

Operator: Thank you. Your next question comes from Matthew Walker from Credit Suisse. Please go ahead.

Matthew Walker: Thanks, and good morning to everyone. A semantic question first of all. So when you say 'improving metrics', is that the same as organic growth, or could a metric just be something else which is not organic growth?

The second question is on books. Is the – it was flat comp in the first half of last year, and then presumably it was down high single digit or double digit in the second half of last year, but was there any difference in the trend in books in the Q3 last year versus the Q4 last year? Does the comparison for books get easier in Q4 versus Q3, or was it basically roughly the – basically roughly the same?

And then the final question also goes back to events. Is there much seasonality between Q3 and Q4? You've said that Q3 was better, mostly due to US launch activity. Does that US launch activity calm down in Q4 versus Q3, or are there any other offsetting factors that we should think about for Q4?

Nick Luff: Yeah. Okay, I've got – look, on the first point about metrics etc, we're not – we're not – we don't comment on the – within the roundings on the – on the growth rates. It's a level of precision that would be misleading. But I think I've pointed to some of the things across the board where we are – that we're pointing to in terms of the improved metrics, be that, you know, databases and tools picking up in the – in STM. For example, in Risk where business services is running better than it was at the beginning of the first – beginning of the

year. Insurance market activity is running better than it was at the beginning of the year. You know, Legal, the analytical product rollout. In Exhibitions, you can see – you can see them doing better. So that's what we're referring to when we talk about the underlying metrics.

Your question about books – I think, from memory, books were flat in the – as you say, sort of flat – unusually flat in the first half of 2018. They were back to normal in terms of those typical high-single-digit [inaudible] rates in the second half. I don't think there was anything particularly different between the third and the fourth quarter last year in terms of the overall market trends within books.

And in Exhibitions, you were asking about Q4 versus Q3 events. Clearly, you know, you've got a completely different set of shows in Q4 than you had in Q3, and those shows will have different growth characteristics than the shows in Q3. So we'll have to see how those turn out. Clearly, we've only so far had two of the three quarters impacted by the venue restrictions in Tokyo. By the end of the year, it'll be three out of four quarters, so a slightly higher proportion. So we'll have to see how that – how that bears out by the end of the year.

Matthew Walker: One quick follow-up. How much of your Exhibitions revenue comes from Hong Kong? What percentage?

Nick Luff: I think we have one very small show in Hong Kong. And it's – I think it's already happened this year. Can't remember, but it's tiny.

Matthew Walker: Okay. Thank you. Thanks a lot.

Operator: Thank you. Your next question comes from Giasone Salati from Macquarie. Please go ahead.

Giasone Salati: Hi. It's Giasone Salati.

Nick Luff: Hi Giasone.

Giasone Salati: Hi. Hi. Thanks, Nick. Three quick questions, please, trying to avoid the rounding questions. On events, new launches typically come at lower margins, so do you expect that to offset any kind of support to margins coming from Mack Brooks, which is notoriously higher margins than Elsevier – than Reed?

On STM, I'm trying to get these comps questions. They were harder in H1 and easier in H2. Can you tell us if Q3 was noticeably faster than H1 for STM organic growth?

And lastly, on Risk, is it a bit disappointing to see risk at 7% with now two quarters of ThreatMetrix, which adds over 50 basis points of organic growth to the division?

Nick Luff: Yeah, okay. So your first question was on Exhibitions and the margin impact of new launches.

Giasone Salati: Yeah.

Nick Luff: Yes, it's true that typically a new launch won't necessarily do quite as well. The mature shows would tend to be higher margin. However, we of course are always launching new shows and looking to improve the performance from the existing businesses, and the shows you launched two or three years ago should be becoming more profitable over time. And, as with all of our business, we're always looking to manage costs and improve the

margins of the existing operations to give us the room to put the resources behind and incur the costs involved in new launches. So that's no different this year to any other year, and I think, as you saw in the first half, margin progression in Exhibitions was absolutely still there, you know, albeit you have to be a little bit careful because you could just, like – cycling from odd to even years does also have an impact on the margin.

I think your second question on the – was about the comparatives in STM, which –

Giasone Salati: Yes, it was plus 3% organic in H1 last year and only plus 1 in H2, so just if you can tell us that Q3 was noticeably faster than H1 in organic growth.

Nick Luff: Well, I think – I think again you're over-interpreting the numbers, and I think last year was, indeed, 3% in H1, it was 2% of the full year. That doesn't tell you precisely what the second half was. But, yeah, I think the – as we said, the books comparatives last year – the first half was unusually strong, in the sense it was sort of almost around flat, whereas back to normal decline rates in books in the second half. So, you know, as we go through the second half of this year, we are up against an easier comparative on books. And that other factor – as I mentioned, you know, there was a small customer revenue stream that we had in the first half of '18 that wasn't in the second half of '18, so you know, we have – in the first half this year we were lapping that, and then the second half we're not lapping that. So those are the two things I'd point to in terms of the comparatives. Clearly that second one is even across the third and fourth quarter.

Your third question was on risk and the overall growth rate. Look, I think we have had a growth rate in the risk division in every period – in every full year and every reporting period – part year for the last five years that has either been 7%, 8% or 9% and – but, you know, those are clearly very good growth rates and are – so clearly the objective with that division is to keep the growth rate at those sort of levels. I don't think we're – get too excited about precisely where it is in that range, because it is a – it's, you know, a large part of the – a large part of transactional business. So you will get variability in terms of how the growth rate will be from period to period. I think I've pointed to the factors this year that affect the growth rate relative to this last year, and some of those have proved to be temporary, and so we'll – you know, we'll see how things evolve from here.

Giasone Salati: Okay. Can I just follow up on this? So on Q3 versus H1, can you say that they are broadly the same STM organic growth? And on risk, maybe you can give us organic growth excluding the contribution from ThreatMetrix. Would that be still 7% or 6%?

Nick Luff: Look, I – I'm not going to start getting into the – within the roundings, what the – what the growth rates are for specific divisions. [Inaudible] –

Giasone Salati: We're happy to take a decimal, if you – if you want to give that.

Nick Luff: No, look, I – you're – you're looking in a – you know, for all the predictability of the business and the stability you get from subscription revenues, you know, there are still transactional revenues in these businesses, and things that can get done the day before a period end or the day after a period end. And I think you're over-interpreting very small movements if you – if you're trying to get into that level of detail. I think you have to look at the overall picture and the nature of the markets that we're describing.

Giasone Salati: Thank you.

Operator: Thank you. Your next question comes from Rajesh Kumar from HSBC. Please go ahead.

Rajesh Kumar: Hi. Good morning. Just –

Nick Luff: Hi, Rajesh.

Rajesh Kumar: Hi. If you're looking at 2020 – I know you're not giving guidance for 2020 at the moment, but a lot of people are quite nervous about where we are in the cycle. Can you just share your thoughts on how you feel your – the broad cyclical exposure RELX have to certain industry factors, like autos and things like that?

Nick Luff: Yeah. I mean, I think we're a very different-looking company, actually, to when – the last significant downturn ten years ago, in terms of the mix of revenues we've got now. And if you look at the business today, scientific research and healthcare, which are big drivers for STM, of course, certainly historically have not proved to be very linked to the overall economic activity, and they've had sort of secular and consistent growth through very different economic conditions. If you look at the – our Risk business, you know, we don't – within there, we don't have any print magazines left to speak of. There's virtually no advertising revenue in there anymore. Employment screening's not in there anymore. So the things we have around, you know, identity, verification, anti-money-laundering, you know, those sort of risk assessments, you know, there's trends in those areas are so – such that the overall economic cycle doesn't appear to have been particularly – a particular driver.

And even in insurance, certainly our historic experience was that the level of activity in the insurance market in terms of consumers switching and shopping, which is a sort of important driver for our business, that is – that doesn't seem to be related to the economic cycle. And if anything, as there was a – the last downturn, volumes went up rather than down, but [inaudible] happen next time. But that's the dynamic: no obvious correlation.

And the legal industry, again, you know, quite slow moving but not particularly linked to the economic cycle. Clearly there's some – economic activity drives some legal activity, but overall, not particularly exposed to it. I think the one area you would accept is – in that overall dynamic is Exhibitions. But, you know, that is only 15%-ish of our overall revenue, and we've got 500-plus shows across 30, 40 geographies in a range of sectors. And often what's going on in the particular geography or particular sector is more important, and clearly our objective is to keep evolving that portfolio of shows and focus on the higher-growth areas, you know, regardless of the economic conditions.

Rajesh Kumar: Understood. No, that's very clear. And just in terms of the US Government spending exposure, I appreciate there might be an election next year, so there can be a hike in the government spending. Is there something – it's not normally considered an economic cycle, but it could still have a cyclical but phasing effect. Any segments where you would worry about that?

Nick Luff: No, not – I mean, not particularly. You know, a lot of our products, of course, are about making things more efficient for – [inaudible] when we're selling directly to governments or state – US Government or to states, we're actually helping reduce tax reclaim fraud or benefit fraud. And so it's saving them money, rather than, you know, net costing

them money. So I think the nature of the products is such that it's not something we particularly see worry about.

Rajesh Kumar: Thank you.

Operator: Thank you. And your last question comes from Henk Slotboom. Please go ahead.

Henk Slotboom: Good morning, everybody. [Inaudible]. Nick, I'm very well aware that you don't comment on individual contracts in STM, but to get a better feel about what's happening in the market at this moment, we've seen in Germany, for example, Project DEAL entering into contracts with Wiley and Springer. We've seen that you've been trying to negotiate a deal with Hungary; it didn't work. Same with University of California. You're still in the process of negotiating in the Netherlands. First of all, could you describe the overall picture – what we are seeing here? And if I see companies like Wiley and Springer entering into deals with Germany and you're the only one of the big three that has not got a contract there, should that concern me? Could you – could you provide some more colour, please?

Nick Luff: Yeah, as you say, I'm not going to comment on individual customers or individual countries, even. But look, you know, we do have thousands of customers around the world, and, you know, a large part of the base renews every year. And every year the vast majority of those renewals go through without much attention paid by the outside world, but you will see some that take longer, become more protracted. And, you know, we're clearly working with all our customers, trying to find the right solution for them. We are confident that what we offer is high quality – higher than average quality, and it's very cost-effective for them. Our prices are lower than average prices, given the volumes we provide, and we think we can offer very good value. But, you know, that doesn't, you know, get you to a solution with everybody quickly, and so sometimes it takes longer. I can tell you that our overall renewal position for this year is no different to what it's been for the last couple of years. But, as someone observed earlier, you know, we're now entering the period of lots of discussions for next year's renewals, and so we'll have to see how that goes. But I don't think the overall environment – we wouldn't characterise it as being any different to what we've seen in the last few years.

Speaker: Okay, thank you.

Operator: Thank you. That was our last question for today. I would now like to hand back to Nick for closing remarks.

Nick Luff: Okay. I think that's all the questions, so thank you very much for joining the call. We will speak to you again soon.

Operator: Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect.

[END OF TRANSCRIPT]