

RELX

# FY23 first take: Typically solid, on track for “strong” growth in 2024

Maintain Rating: BUY | PO: 3,770 GBp | Price: 3,336 GBp

## Maintain Buy, 3,770p price objective

RELX reported a typically solid update. Key highlights include: 1) Solid FY23 results, with adj EPS of 114p +1% above consensus forecasts; 2) Guidance for “strong” underlying growth, we think leaving the door open to further acceleration in the Legal division through FY24 and supporting the outlook in the Risk division; and 3) An upsized £1bn buyback (BofAe: £1bn) vs £800m in the prior year, we think a bit better than expected. The call at 8:30am should provide more colour. Shares trade on 18x CY24E EV/EBITDA vs US peers’ c.23x for c.11% 3yr EPS CAGR – we maintain Buy, 3,770p PO.

## FY23: Solid result

RELX reported EPS a touch ahead, led by margin with underlying revenue growth in line:

- **Headline numbers:** Underlying revenue growth came in at +8% as expected (consensus: +8%), resulting in revenue: £9,161m (consensus: £9,203m). Adj EBITA of £3,030m is a touch better (consensus: £3,019m) and implies 33.1% margin vs 31.4% in prior year with Exhibitions’ adj EBITA 3% ahead. Adj EPS is 114.0p, c.1% ahead (consensus: 112.7p) while DPS came in at 58.8p (consensus: 59.1p).
- **Divisional underlying revenue growth:** Largely as expected, albeit Exhibitions came in a bit stronger - STM was 4% (consensus: 4%), Risk 8% (consensus: 8%), Legal 6% (cons: 6%), and Exhibitions 30% (consensus: 25%).
- **Buyback:** £1bn announced (BofAe: £1bn, median consensus is £875m) vs 2023: £800m. We think this is a bit better than most had expected.

## FY24 outlook: “Strong” underlying growth

Guidance for 2024 is typically qualitative and points to “strong underlying growth” overall. “Strong” underlying revenue growth is similarly seen across Risk, Legal and Exhibitions divisions, with “good” growth in STM. This feels consistent with market expectations in Risk (we continue to expect a decent market backdrop in 2024) and STM, while we think leaving the door open to potential acceleration in Legal. Margin guidance looks as expected. We will look for further details on the earnings call, but note the Lexis+ AI rollout has started well.

15 February 2024

### Equity

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### Stock Data

Price (PLC, NV, PLC ADR)	3,336 GBp / 39.03 EUR / 42.05 USD
Price Objective	3,770 GBp / 44.10 EUR / 46.90 USD
Date Established	1-Feb-2024 / 1-Feb-2024 / 1-Feb-2024
Investment Opinion	A-1-7 / A-1-7 / B-1-7
Volatility Risk	LOW / LOW / MEDIUM
52-Week Range	2,414 GBp-3,379 GBp
Market Value (mn)	63,579 GBP
Shares Outstanding (mn)	1,906 / 1,906 / 1,884
Average Daily Value (mn)	86.39 USD
BofA Ticker / Exchange	RLXXF / LSE
BofA Ticker / Exchange	XFAFF / ENA
BofA Ticker / Exchange	RELX / NYS
Bloomberg / Reuters	REL LN / REL L
ROE (2023E)	56.4%
Net Dbt to Eqty (Dec-2022A)	170.4%
Free Float	99.9%
ESGMeter™	High

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Timestamp: 15 February 2024 03:01AM EST

**Exhibit 1: EPS came in c.1% ahead of expectation**

FY23 results vs expectations

<b>£m unless stated</b>	<b>FY23 Actual</b>	<b>FY23 Cons.</b>	<b>Actual vs cons.</b>	<b>FY23 BofAe</b>	<b>Actual vs BofAe</b>	<b>FY22 Actual</b>	<b>YoY growth</b>	<b>BofAe vs FY22</b>
<b>Revenues</b>	<b>9,161</b>	<b>9,203</b>	<b>0%</b>	<b>9,170</b>	<b>0%</b>	<b>8,553</b>	<b>7%</b>	<b>7%</b>
Science Technical & Medical	3,062	3,049	0%	3,041	1%	2,909	5%	5%
Risk & Business Analytics	3,133	3,142	0%	3,113	1%	2,909	8%	7%
Legal	1,851	1,886	-2%	1,880	-2%	1,782	4%	5%
Exhibitions	1,115	1,126	-1%	1,137	-2%	953	17%	19%
<b>Underlying growth</b>	<b>8%</b>	<b>8%</b>	<b>1%</b>	<b>8%</b>	<b>-4%</b>	<b>10%</b>	<b>-20%</b>	
Science Technical & Medical	4%	4%		4%	7%	4%	0%	
Risk & Business Analytics	8%	8%		8%	2%	8%	0%	
Legal	6%	6%		6%		5%		
Exhibitions	30%	25%		29%		64%		
<b>Adjusted operating profit</b>	<b>3,030</b>	<b>3,019</b>	<b>0%</b>	<b>3,020</b>	<b>0%</b>	<b>2,683</b>	<b>13%</b>	<b>13%</b>
Science Technical & Medical	1,165	1,158	1%	1,160	0%	1,100	6%	5%
Risk & Business Analytics	1,165	1,167	0%	1,157	1%	1,078	8%	7%
Legal	393	404	-3%	408	-4%	372	6%	10%
Exhibitions	319	308	3%	308	4%	162	97%	90%
Corporate Costs	-12	-17	-30%	-13	-8%	-29	-59%	-55%
<b>Adjusted operating margin</b>	<b>33.1%</b>	<b>32.8%</b>	<b>1%</b>	<b>32.9%</b>	<b>0%</b>	<b>31.4%</b>	<b>5%</b>	
Science Technical & Medical	38.0%	38.0%	0%	38.1%	<b>0%</b>	37.8%	<b>1%</b>	
Risk & Business Analytics	37.2%	37.1%	0%	37.2%	<b>0%</b>	37.1%	<b>0%</b>	
Legal	21.2%	21.4%		21.7%		20.9%		
Exhibitions	28.6%	27.4%		27.1%		17.0%		
Adjusted financing costs	-314	-285	10%	-285	10%	-194	62%	47%
<b>Adjusted PBT</b>	<b>2,716</b>	<b>2,734</b>	<b>-1%</b>	<b>2,735</b>	<b>-1%</b>	<b>2,489</b>	<b>9%</b>	<b>10%</b>
Adjusted tax	-553	-596	-7%	-621	-11%	-530	4%	17%
Adjusted tax rate	20%	22%		23%		21%		
<b>Adjusted net profit</b>	<b>2156</b>	<b>2135</b>	<b>1%</b>	<b>2108</b>	<b>2%</b>	<b>1961</b>	<b>10%</b>	<b>8%</b>
<b>Adjusted EPS (p)</b>	<b>114.0</b>	<b>112.7</b>	<b>1%</b>	<b>111.3</b>	<b>2%</b>	<b>102.2</b>	<b>12%</b>	<b>9%</b>
<b>DPS (p)</b>	<b>58.8</b>	<b>59.1</b>	<b>0%</b>	<b>57.2</b>	<b>3%</b>	<b>54.6</b>	<b>8%</b>	<b>5%</b>
<b>Free cash flow</b>	<b>1,970</b>	<b>2,076</b>	<b>-5%</b>	<b>2,114</b>	<b>-7%</b>	<b>1,970</b>	<b>0%</b>	<b>7%</b>

Source: BofA Global Research estimates, company report, Visible Alpha

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**Exhibit 2: Guidance is for “strong” underlying growth**

2024 guidance

<b>Underlying YoY growth</b>	<b>FY24 guide Actual</b>	<b>FY24E BofAe</b>	<b>FY24E Cons</b>
<b>Revenue</b>	<b>Strong Underlying Growth</b>	<b>7%</b>	<b>6%</b>
Science Technical & Medical	Good underlying growth	4%	4%
Risk & Business Analytics	Strong underlying growth	8%	8%
Legal	Strong underlying growth	7%	6%
Exhibitions	Strong underlying growth	9%	8%
<b>Adjusted operating profit</b>	<b>Strong Underlying Growth</b>	<b>8%</b>	
Science Technical & Medical	Slightly exceeding revenue growth	5%	
Risk & Business Analytics	Slightly exceeding revenue growth	9%	
Legal	Growth to exceed revenue	16%	
Exhibitions	Growth to exceed revenue	19%	

Source: BofA Global Research estimates, company report, Visible Alpha

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## Price objective basis & risk

### RELX (RLXXF / XFAFF)

We set our price objectives at 3,770p / €44.10 based on our DCF valuation with WACC at 7.7% and a long-term growth rate of 3.75%, and comparative valuation based on 19x CY23E EV/EBITDA, in line with peer group multiples.

Downside risks to our PO are: 1) A slowdown in insurance market conditions could impact RELX's ability to grow its Risk & Business Analytics division, where a significant proportion of revenue is transactional 2) Major geopolitical disruption can impact revenue growth and profitability in the Exhibitions division 3) RELX operates in regulatory complex markets and future changes to regulation could be detrimental 4) RELX handles large amounts of data, which puts it at risk from cyber-attacks or other data misuse.

### RELX (RELX)

We set our price objective at \$46.90 based on our DCF valuation with WACC at 7.7% and a long-term growth rate of 3.75%, and comparative valuation based on 20x CY24E EV/EBITDA, in line with peer group multiples.

Downside risks to our PO are: 1) A slowdown in insurance market conditions could impact RELX's ability to grow its Risk & Business Analytics division, where a significant proportion of revenue is transactional 2) Major geopolitical disruption can impact revenue growth and profitability in the Exhibitions division 3) RELX operates in regulatory complex markets and future changes to regulation could be detrimental 4) RELX handles large amounts of data, which puts it at risk from cyber-attacks or other data misuse.

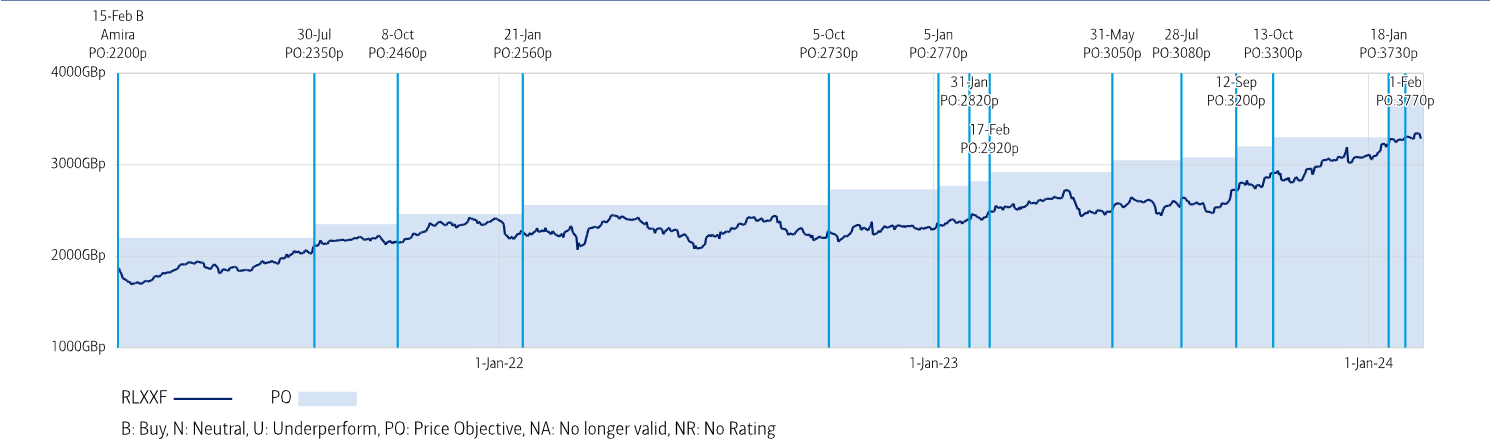
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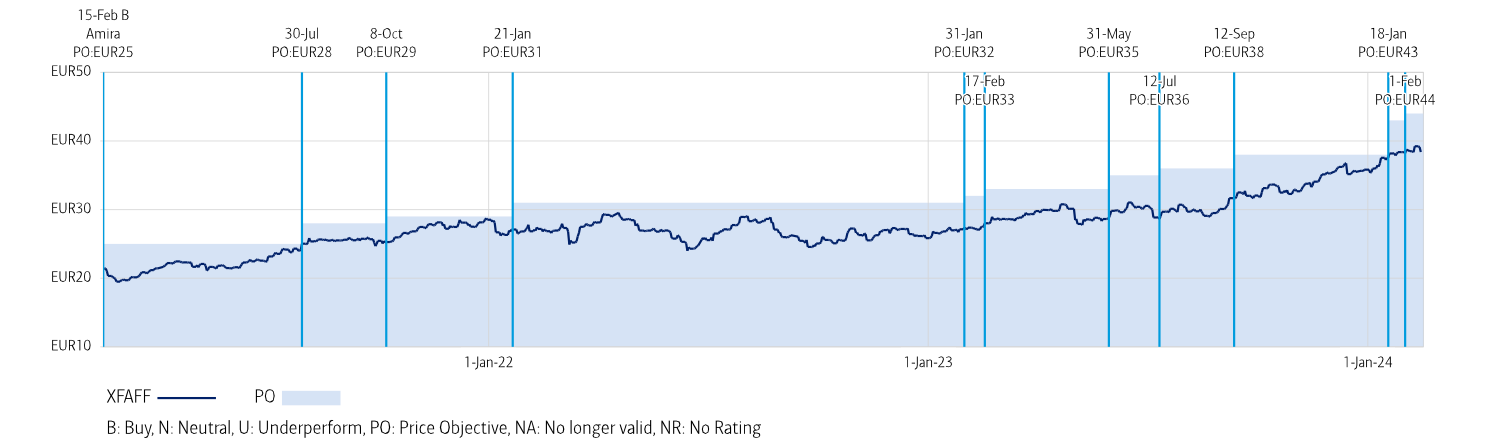
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RELX PLC (RLXXF) Price Chart



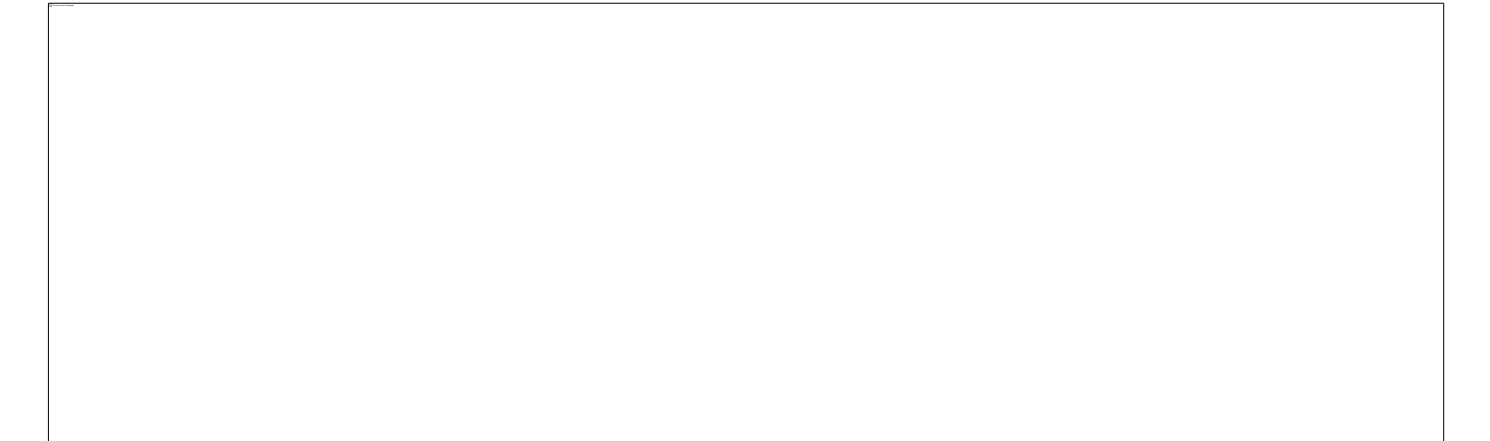
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RELX PLC (XFAFF) Price Chart



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RELX PLC (RELX) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

**Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Neutral	≥ 0%	≤ 30%
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