

RELX

# Thomson Reuters' investor day read-across: sizing up the genAI opportunity

Reiterate Rating: BUY | PO: 3,900 GBp | Price: 3,410 GBp

## Reiterate Buy, PO raised to 3,900p PO

Thomson Reuters' investor day provided further detail around its generative AI strategy, and in our view a supportive read-across to RELX's Legal division. We think this helps contextualise incrementally upbeat commentary on momentum in the Legal division which in our view was a hallmark of RELX's recent FY23 earnings call. We raise our PO to 3,900p, and reiterate Buy. RELX trades on 18x CY24E EV/EBITDA, still a c.20% discount vs. US peers' 23x, delivering broadly comparable 11% 3yr EPS CAGR.

## Thomson Reuters: GenAI is "tailor-made for legal work"

We thought Thomson Reuters (TRI)' investor day (March 12<sup>th</sup>), which provided more detail on the genAI use case in legal services, provided a supportive read-across to RELX's Legal division (c.20% of RELX sales). We were interested in 1) GenAI's uplift to Thomson Reuters' addressable market in the Legal Professionals division which it sees at c.\$4bn/c.20% (and c.\$12bn with Tax & Accounting Professionals and Corporate divisions included), as TRI envisages every professional utilising an "AI assistant" in future; 2) References to fundamentals in the legal information market more broadly remaining positive, in part driven by ever-increasing volume/complexity of regulations, clients demanding greater productivity from law firms, etc; and 3) Opportunities for genAI to drive internal efficiencies. Looking forward, Thomson Reuters expects their Legal division to grow 7-8% by 2026, comparing favourably to our growth expectations for RELX's Legal division, which we think can accelerate from 6% delivered in FY23 to 7% this year. Over 5,000 law firms have access to Thomson Reuters' genAI tools now, including c.70 of the Am Law 200 which points to growing market adoption. This helps to contextualise upbeat commentary on the Lexis+ AI rollout at RELX's recent FY23 results (February 15<sup>th</sup>, see [RELX: What's not to like?](#) for more detail).

## Re-rating has further to go

While shares have had a good run, we expect the discount to US peers to be further squeezed. RELX trades on 18x CY24E EV/EBITDA, a c.20% discount despite comparable underlying revenue growth and an appealing 11% 3yr EPS CAGR. We raise our PO to 3,900p/€45.70/\$48.50 driven by peer group re-rating (21x CY24E EV/EBITDA vs. 20x previously) with our DCF assumptions unchanged. Next catalyst: Q1 trading update due April 25<sup>th</sup>.

Estimates (Dec) (GBp)	2022A	2023A	2024E	2025E	2026E
EPS (Adjusted Diluted)	102	113	122	137	154
EPS Change (YoY)	16.7%	11.5%	8.0%	12.0%	12.7%
Dividend / Share	54.6	58.8	63.5	71.1	80.1
Valuation (Dec)					
P/E	33.5x	30.1x	27.9x	24.9x	22.1x
Dividend Yield	1.6%	1.7%	1.9%	2.1%	2.4%
EV / EBITDA*	23.0x	20.7x	18.6x	17.2x	15.8x
Free Cash Flow Yield*	2.9%	3.0%	3.5%	4.0%	5.4%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 4.

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**Refer to important disclosures on page 5 to 8. Analyst Certification on page 3. Price Objective Basis/Risk on page 3.**

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Timestamp: 13 March 2024 01:50AM EDT

13 March 2024

### Equity

#### Key Changes

(GBp)	Previous	Current
Price Obj.	3,815.00	3,900.00

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### Stock Data

Price (PLC, NV, PLC ADR)	3,410 GBp / 39.89 EUR / 43.24 USD
Price Objective	3,900 GBp / 45.70 EUR / 48.50 USD
Date Established	13-Mar-2024 / 13-Mar-2024 / 13-Mar-2024
Investment Opinion	A-1-7 / A-1-7 / B-1-7
Volatility Risk	LOW / LOW / MEDIUM
52-Week Range	2,414 GBp-3,531 GBp
Market Value (mn)	64,885 GBp
Shares Outstanding (mn)	1,903 / 1,903 / 1,881
Average Daily Value (mn)	113.83 USD
BofA Ticker / Exchange	RLXXF / LSE
BofA Ticker / Exchange	XFAFF / ENA
BofA Ticker / Exchange	RELX / NYS
Bloomberg / Reuters	REL LN / RELL
ROE (2024E)	68.3%
Net Dbt to Eqty (Dec-2023A)	184.4%
Free Float	99.9%
ESGMeter™	High

**ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".**

# iQprofile<sup>SM</sup> RELX

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(€ Millions)					
Sales	8,553	9,161	9,787	10,382	11,134
EBITDA Adjusted	3,083	3,422	3,803	4,109	4,477
Depreciation & Amortization	(419)	(438)	(545)	(579)	(615)
EBIT Adjusted	2,664	2,984	3,258	3,531	3,862
Net Interest & Other Income	(210)	(387)	(334)	(307)	(292)
Tax Expense / Benefit	(481)	(507)	(578)	(646)	(726)
Net Income (Adjusted)	1,961	2,156	2,298	2,530	2,800
Average Fully Diluted Shares Outstanding	1,929	1,903	1,877	1,846	1,813

Key Cash Flow Statement Data					
Net Income (Reported)	1,634	1,781	2,031	2,274	2,555
Depreciation & Amortization	419	438	545	579	615
Change in Working Capital	(74.0)	(115)	(20.0)	(20.0)	(20.0)
Deferred Taxation Charge	0	0	0	0	0
Other CFO	344	284	173	165	154
<b>Cash Flow from Operations</b>	<b>2,323</b>	<b>2,388</b>	<b>2,729</b>	<b>2,997</b>	<b>3,304</b>
Capital Expenditure	(436)	(477)	(471)	(502)	(528)
(Acquisition) / Disposal of Investments	(492)	(113)	(60.0)	(60.0)	(60.0)
Other CFI	69.0	21.0	41.2	42.6	47.4
<b>Cash Flow from Investing</b>	<b>(859)</b>	<b>(569)</b>	<b>(490)</b>	<b>(519)</b>	<b>(541)</b>
Share Issue / (Repurchase)	(524)	(809)	(1,020)	(1,220)	(1,320)
Cost of Dividends Paid	(992)	(1,066)	(1,164)	(1,241)	(1,369)
Increase (decrease) debt	563	(233)	100	0	0
Other CFF	(381)	51.0	(73.0)	(76.0)	(79.0)
<b>Cash Flow from Financing</b>	<b>(1,334)</b>	<b>(2,057)</b>	<b>(2,157)</b>	<b>(2,537)</b>	<b>(2,768)</b>
<b>Total Cash Flow (CFO + CFI + CFF)</b>	<b>130</b>	<b>(238)</b>	<b>82.5</b>	<b>(58.9)</b>	<b>(4.31)</b>
FX and other changes to cash	91.0	60.0	73.0	76.0	79.0
Change in Cash	221	(178)	156	17.1	74.7
Change in Net Debt	342	(55.0)	(55.5)	(17.1)	(74.7)
Net Debt (Reported)	6,396	6,341	6,285	6,268	6,194
Net Debt (Adjusted)	6,604	6,445	6,389	6,372	6,298

Key Balance Sheet Data					
Property, Plant & Equipment	126	99.0	99.0	99.0	99.0
Goodwill	8,388	8,023	7,803	7,593	7,393
Other Intangibles	3,524	3,238	3,238	3,238	3,238
Other Non-Current Assets	722	683	683	683	683
Trade Receivables	2,405	2,323	2,323	2,323	2,323
Cash & Equivalents	334	156	312	329	403
Other Current Assets	330	396	352	352	352
Total Assets	15,829	14,918	14,810	14,617	14,491
Long-Term Debt	5,860	5,184	6,597	6,597	6,597
Other Non-Current Liabilities	1,028	804	804	804	804
Short-Term Debt	870	1,313	0	0	0
Other Current Liabilities	4,317	4,177	4,163	4,163	4,163
Total Liabilities	12,075	11,478	11,564	11,564	11,564
Total Equity	3,754	3,439	3,246	3,053	2,927
Total Equity & Liabilities	15,829	14,917	14,810	14,617	14,491

Business Performance*					
Return On Capital Employed	18.8%	20.9%	23.7%	26.1%	29.0%
Return On Equity	56.0%	59.6%	68.3%	79.8%	93.0%
Operating Margin	27.2%	29.3%	30.1%	31.1%	32.1%
Free Cash Flow (MM)	1,887	1,911	2,258	2,496	3,338

Quality of Earnings*					
Cash Realization Ratio	1.18x	1.11x	1.19x	1.18x	1.18x
Asset Replacement Ratio	1.04x	1.09x	0.86x	0.87x	0.86x
Tax Rate	22.8%	22.1%	22.1%	22.1%	22.1%
Net Debt/Equity	170%	184%	194%	205%	212%
Interest Cover	13.3x	9.47x	10.2x	12.1x	13.9x

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 4.

## Company Sector

Publishing

## Company Description

RELX is a major B2B / information services company comprising four divisions: Science, Technical and Medical (Elsevier journals, books & software), Legal (LexisNexis), Risk & Business Analytics (Risk) and Exhibitions.

## Investment Rationale

RELX trades at a discount to Information Services peers. We believe it could re-rate as it 1) demonstrates sustainability of growth in Risk & Business Analytics which supports the medium-term group outlook, and 2) leverages generative AI to drive accelerated growth in Legal. We expect STM to deliver continued stable underlying growth despite the perceived open access threat to academic subscription revenues, which partially overshadows inherent quality in the rest of the division.

## Stock Data

Shares / Common - Dual Listed	1.00
Price to Book Value	19.5x

## Half-yearly Earnings Estimates

	2023	2024
H1	55.87A	NA
H2	57.23E	NA

## Key Changes

(EUR)	Previous	Current
Price Obj.	44.70	45.70

## Price objective basis & risk

### RELX (RLXXF / XFAFF)

We set our price objectives at 3,900p / €45.70 based on our DCF valuation with WACC at 7.7% and a long-term growth rate of 3.75%, and comparative valuation based on 21x 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.

### RELX (RELX)

We set our price objective at \$48.50 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.

## Analyst Certification

I, David Amira, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### EMEA - Media Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY	Auto Trader	ATDRF	AUTO LN	David Amira, CFA
	Deliveroo	DROOF	ROO LN	Kiranjot Grewal
	Entain	GMVHF	ENT LN	Kiranjot Grewal
	Evolution	EVVTY	EVVTY US	Kiranjot Grewal
	Evolution Gaming	EVGGF	EVO SS	Kiranjot Grewal
	Flutter	XZMVF	FLTR LN	Kiranjot Grewal
	Flutter	FLUT	FLUT US	Kiranjot Grewal
	Informa	IFPJF	INF LN	David Amira, CFA
	Interpublic	IPG	IPG US	Adrien de Saint Hilaire
	JCDecaux	JCDXF	DEC FP	Adrien de Saint Hilaire
	Just Eat Takeaway	TKAYF	TKWY NA	Kiranjot Grewal
	Just Eat Takeaway	JTKWY	JTKWY US	Kiranjot Grewal
	Playtech	PYTCF	PTEC LN	Kiranjot Grewal
	Publicis	PUBGY	PUBGY US	Adrien de Saint Hilaire
	Publicis Groupe	PGPEF	PUB FP	Adrien de Saint Hilaire
	RELX	XFAFF	REN NA	David Amira, CFA
	RELX	RLXXF	REL LN	David Amira, CFA
	RELX	RELX	RELX US	David Amira, CFA
	Schibsted	SBSNF	SCHA NO	Adrien de Saint Hilaire
	Schibsted	SBBTF	SCHB NO	Adrien de Saint Hilaire
	Scout24	SCOTF	G24 GY	David Amira, CFA



## EMEA - Media Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Universal Music Group	UMGNF	UMG NA	Adrien de Saint Hilaire
	Vivendi	VIVEF	VIV FP	Adrien de Saint Hilaire
	Vivendi	VIVHY	VIVHY US	Adrien de Saint Hilaire
<b>NEUTRAL</b>				
	Ascential	AIAPF	ASCL LN	David Amira, CFA
	AUTO1 Group	ATOGF	AG1 GY	David Amira, CFA
	Baltic Classifieds Group	XZXXF	BCG LN	David Amira, CFA
	Chegg Inc.	CHGG	CHGG US	David Amira, CFA
	Delivery Hero	DLVHF	DSHER GY	Kiranjot Grewal
	La Francaise Des Jeux	LFDJF	FDJ FP	Kiranjot Grewal
	Pearson	PSORF	PSON LN	David Amira, CFA
	Pearson	PSO	PSO US	David Amira, CFA
	Wolters Kluwer	WOLTF	WKL NA	David Amira, CFA
	Wolters Kluwer	WTKWY	WTKWY US	David Amira, CFA
<b>UNDERPERFORM</b>				
	Embracer Group	THQQF	EMBRACB SS	Adrien de Saint Hilaire
	HelloFresh	HLFFF	HFG GY	Kiranjot Grewal
	ITV	ITVPF	ITV LN	Adrien de Saint Hilaire
	Omnicom	OMC	OMC US	Adrien de Saint Hilaire
	ProSiebenSat.1	PBSFF	PSM GY	Adrien de Saint Hilaire
	Rightmove	RTMVF	RMV LN	David Amira, CFA
	Rightmove	RTMVY	RTMVY US	David Amira, CFA
	RTL Group	ZRLQF	RRTL GY	Adrien de Saint Hilaire
	Ubisoft	UBSFF	UBI FP	Adrien de Saint Hilaire
	Ubisoft	UBSFY	UBSFY US	Adrien de Saint Hilaire
	WPP	WPPGF	WPP LN	Adrien de Saint Hilaire
	WPP	WPP	WPP US	Adrien de Saint Hilaire

iQmethod<sup>SM</sup> Measures Definitions

## Business Performance

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

## Quality of Earnings

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

## Valuation Toolkit

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

## Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

## Numerator

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

## Numerator

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities  
Enterprise Value

## Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

## Denominator

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

## Denominator

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales

Basic EBIT + Depreciation + Amortization

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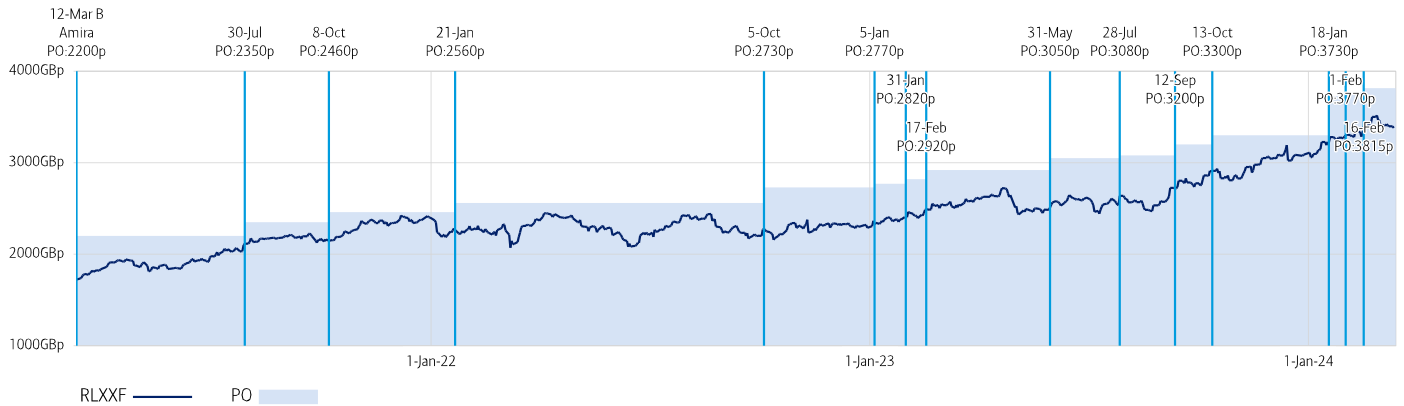
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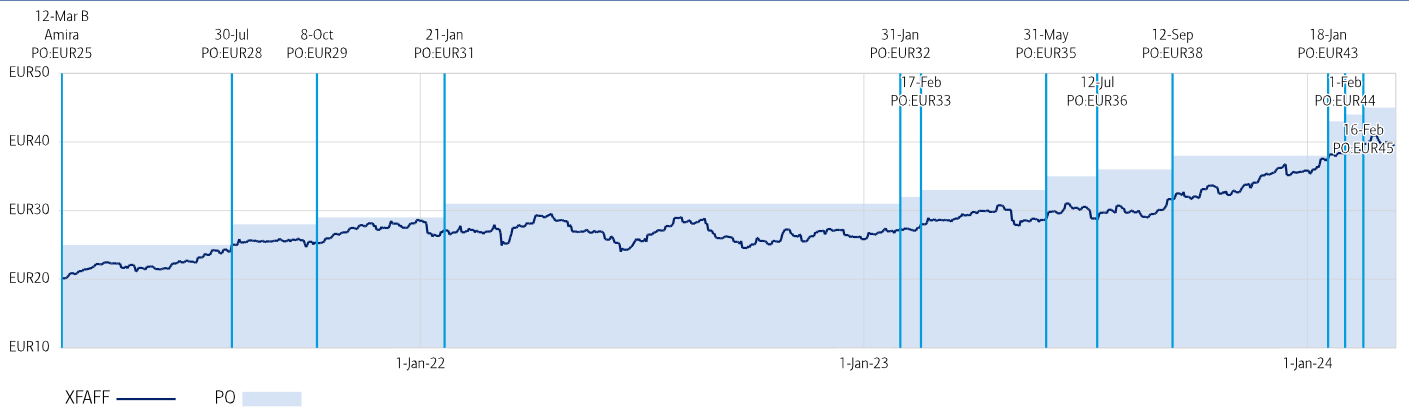
### RELX PLC (RLXXF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

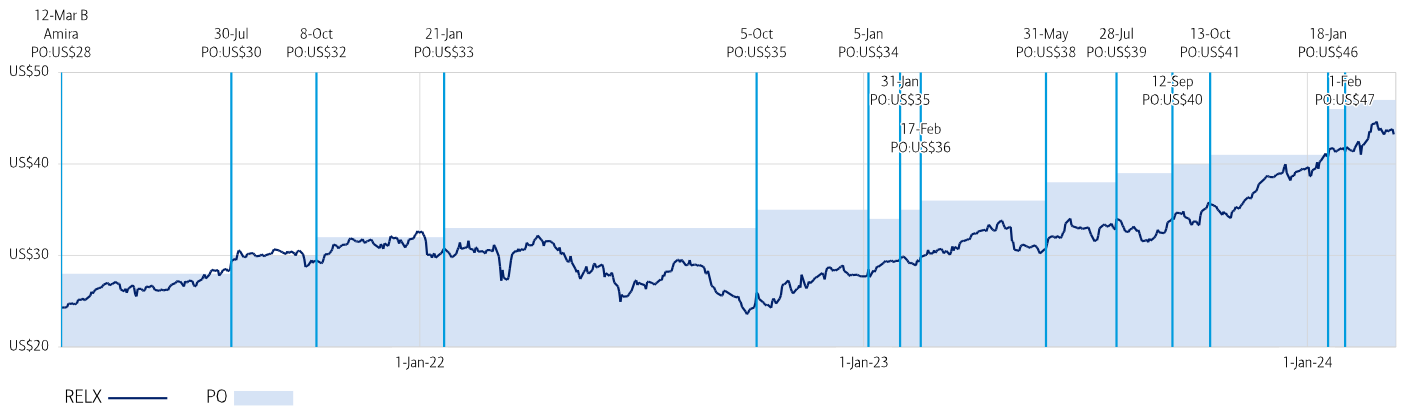
### RELX PLC (XFAFF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### RELX PLC (RELX) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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**Equity Investment Rating Distribution: Media & Entertainment Group (as of 31 Dec 2023)**

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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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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