

RELX PLC

CORE HOLDING*

Recommended since 20.04.15

22.08.2023

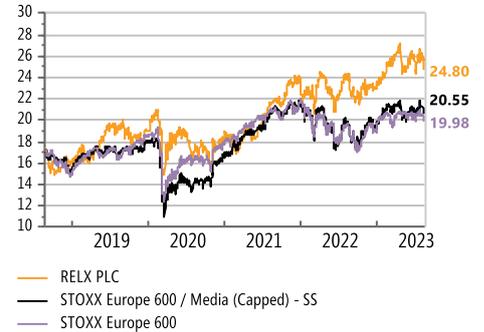


Country GB	Market capitalization (bn) GBP 47,2	Perf. since reco. (%)
Sector Media	Free float 98,6%	RELX PLC 118,9
Factset REL-GB	Closing price GBP 24,80	Sector 6,7
ISIN GB00B2B0DG97	ESG Risk score* 5,5 Negligible risk	

*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

Profile

RELX (formerly Reed Elsevier) is one of the biggest professional publishers. Its business lines are focused on the legal sector (LexisNexis), scientific publications (Elsevier), risk analysis sector (RBA). The group is also active in organizing business & trade fairs (Reed Exhibitions). US high exposure (55%). It has clients in 180 countries and 30k employees.



Source: Factset

Market - competition - positions - barriers to entry

The professional publishing market is fairly concentrated, especially in legal publications (4 players in the US; 3-5 in Europe). LexisNexis is market leader in its field. The same is true for scientific, technical and medical (STM) publications where Elsevier is sector leader. There are few players in Risk Solutions (RBA), but the fast-growing sector. Exhibitions is a highly fragmented sector.

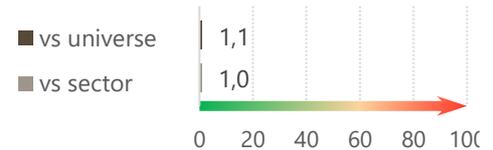
Investment case

- RELX Group is the archetypal business publisher, operating in a fairly defensive and investor-friendly segment of the media sector. Business publishers embarked on their transformation a few years ago. As such, the digital transition is well advanced (at RELX, print production currently accounts for around 7% of revenue, with digital accounting for 86% and services 7%). Business publishers are also well diversified geographically: RELX generates 60% of its revenue in the US, 20% in Europe, 6% in Asia and 14% in emerging countries, with the latter offering the most potential, in terms of both scientific research (NB Chinese researchers are particularly keen on gaining international recognition, which means publishing papers in the most prestigious scientific journals) and the organization of trade shows. Visibility within the sector remains high (the business model is based on subscriptions and a system of fees). Lastly, the sector has the benefit of an accommodating policy on dividends and share buy-backs.
- RELX is a true defensive value, with significant recurring revenues, except for its Exhibitions business (7% of revenues), which is the most cyclical. It is obviously this segment that suffered the most from the coronavirus pandemic (cancellation of almost all exhibitions planned for the first half of 2020, with little catching-up potential in the second half of the year, due to limited or already reserved space). As regards the other sectors, the impact is significantly lower. As for the Risk Business Analysis (RBA) segment, most of the revenues are transactional and the majority (two thirds) of customers come from the insurance sector. It is rather the Business Services segment (one third) the most at risk with its databases serving cyclical industries (construction, oil, chemicals). Scientific, technical and medical (STM) and legal publications are the most resilient segments, their business models being based on subscriptions with more or less long-term contracts (these are longer for scientific publications compared with the legal sector).

ESG - risks and key points

- The main challenge facing the group in the very long term arises from Open Access (STM) - i.e. the provision of online access (at little or no cost) to scientific research papers. There are two variants: (1) Gold Open Access, where the publisher does its job of checking and setting up papers before they are distributed, for which it receives a fee. This results in pressure on prices and margins, albeit diluted over the long term. (2) Green Open Access, where researchers archive their own papers. If volumes are sufficient, this could result in libraries substantially reducing their subscriptions. In our opinion, this very long-term structural change is manageable for a group like RELX.

ESG risk vs. universe & sector (percentile)*



Source: Sustainalytics

Valuation** in GBP

Current price	Value Bordier Scenario
25	30

We are adjusting 2023 revenue growth to +9% (a conservative scenario for the Exhibitions business and partly for RBA), with an EBIT margin of 33% by 2025. Our scenario includes a risk-free rate in the UK of 3%.

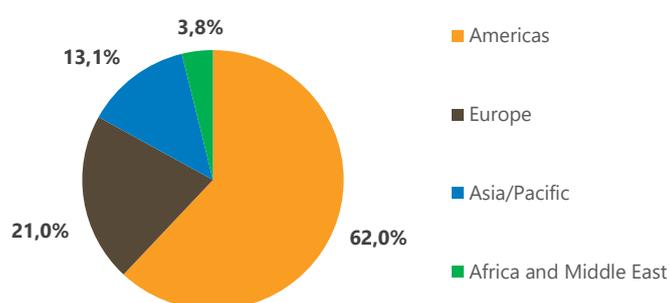
** The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

"Bordier Core Holding" indicators

In millions of GBP	2021	2022	2023e	2024e	2025e
Sales revenue	7 244	8 553	9 323	10 162	10 975
Sales growth %	3,0%	14,0%	9,0%	9,0%	8,0%
a/w organic	3,0%	8,0%	9,0%	9,0%	8,0%
EBIT adjusted	2 210	2 323	3 072	3 376	3 690
% of sales	30,5%	27,2%	33,0%	33,2%	33,6%
Net income	1 689	1 961	2 356	2 604	2 860
Adjusted EPS	0,87	0,83	1,23	1,36	1,49
Adjusted EPS growth	24,0%	-4,3%	47,2%	10,5%	9,8%
Capex/Sales	5,6%	5,1%	5,5%	5,1%	5,5%
Free cash-flow	1 608	1 965	2 218	2 452	2 626
FCF/Sales	22,2%	23,0%	23,8%	24,1%	23,9%
Dividend per share	0,52	0,55	0,58	0,58	0,58
Dividend yield	2,1%	2,2%	2,3%	2,3%	2,3%
ROE - WACC	12,3%	10,9%	15,9%	17,2%	18,3%
ROE (%)	52,3%	67,7%	88,7%	98,0%	107,6%
Net debt/Ebitda	224,5%	198,9%	183,2%	167,9%	150,7%

Source: Factset, Bordier estimates

Sales breakdown - 12/2022



Ratios

	RELX PLC	Sector	Stoxx Europe 600
PE (x)***		Media	STOXX 600
2021	27,6	20,4	13,1
2022e	22,4	17,9	12,8
2023e	20,2	16,3	12,0
P/B (x)***			
2021	14,1	3,5	2,0
2022e	18,3	3,2	1,8
2023e	17,7	3,0	1,7
Beta (2Y, daily) vs market:			0,86

***) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premi-ums representing the quality of the company's business model.

Governance and ownership structure

Since 2009, Erik Engström.

Agenda

19.10.2023: Trading Update Q3 2023

Key shareholders (if any):

BlackRock Investment Management (UK) Ltd. 5.42% / Invesco Asset Management Ltd. 4.4% / The Vanguard Group, Inc. 2.6%.

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements)

-

Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

This document has been issued for information purposes and is exclusively supplied by Bordier & Cie SCmA in the framework of an existing contractual relationship with the recipient of this document. The views and opinions contained in it are those of Bordier & Cie SCmA. Its contents may not be reproduced or redistributed by unauthorized persons. The user will be held liable for any unauthorized reproduction or circulation of this document, which may give rise to legal proceedings. All the information contained in it is provided for information only and should in no way be taken as investment, legal or tax advice provided to third parties. Furthermore, it is emphasized that the provisions of our legal information page are fully applicable to this document and namely provisions concerning the restrictions arising from different national laws and regulations. Consequently, Bordier Bank does not provide any investment services or advice to "US persons" as defined by the Securities and Exchange Commission rules. Furthermore, the information on our website – including the present document – is by no means directed to such persons or entities.