

## WORLD TELEVISION

Wolters Kluwer

Corporate Legal Services - Investor Seminar  
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**Wolters Kluwer**

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**Welcome**

**Meg Geldens, VP, Investor Relations**

Good afternoon everyone. Thank you all very much for coming. I'm sure the weather was going to lure you outside so I'm very glad to see so many people turn up. This of course is our Investor Seminar on Wolters Kluwer Corporate Legal Services. Again welcome here in London and also welcome to those of you who've joined us on the webcast.

Our US Legal business is often compared to the traditional legal publishing players out there and I hope that today you will get a much better understanding of exactly who we are, what we do, who we compete with and see that we're very different from the other players and also performing very differently than the others.

We will go through the presentations today and then take Q&A at the end, so please hold your questions to the end. And can I also ask you to focus your questions on Corporate Legal Services rather than the Group because we've got the management over from New York.

Today's presentation of course will have some forward looking statements and I'm obliged to tell you that actual results may differ materially due to a number of risks and uncertainties and can you please refer to the Annual Report for a full discussion of these.

It's now my pleasure to introduce the management of Wolters Kluwer Corporate Legal Services, Richard Flynn, who is the President and CEO of Wolters Kluwer Corporate Legal Services and Sandeep Sacheti who is Vice President of Customer Insights and Operational Excellence. Welcome.



**Corporate Legal Services**

**Richard Flynn, Group President and CEO**

Afternoon everyone, thanks for coming on such a nice day. We got in yesterday. This is not typical London weather is it? But we're enjoying it. It's been wonderful. It's my pleasure today to take you through Corporate Legal Services. I've been with the company now going on about four years or so. I came over from a 20 year career in Financial Services and it's been really quite a ride over the last couple of years or so in terms of reenergising and revitalising this group of businesses called Corporate Legal Services. And that's just it, you know if I do anything today I really want to spend the time and explain to you what exactly that we do because as Meg said we're not a publishing business. We're not a media business. We're actually a service business. And a very fast growing one. We've been one of the fastest growing segments within the Wolters Kluwer portfolio over the last couple of years or so and a very profitable business.

But it's not one business it's actually a group of businesses and so I'm going to take you through each of those businesses as I refer to them, as they have their own ecosystems, their own competitive dynamics, their own kind of market structures. And it's really

important to understand each of them if you want to understand the whole that makes up Corporate Legal Services.

And then Sandeep Sacheti will be joining us at the end of the presentation to take you through some exciting work leveraging all the many data sources that we have across our businesses.

As I go through this I'll give you kind of like a Google Earth like experience where we'll kind of just start at the highest level and just kind of keep on going down lower and lower as we explore the business. So let's start off with the top level of just understanding where we play Corporate Legal Services in the Wolters Kluwer landscape.

You can see that, as you know Wolters Kluwer reports its results in four operating verticals that are customer facing, so Legal & Regulatory, Health, Financial & Compliance Services, Tax & Accounting. Corporate Legal Services is reported within the Legal & Regulatory vertical and it also operates for management purposes as its own division. So there are five CEOs making up five of these slices of the pie that all report into the CEO of the company Nancy McKinstry. Corporate Legal Services is about 12% of the revenues of the whole company at €424m.

Putting it into the context of the overall company strategy, the three components of that strategy is all about accelerating profitable growth and you know one of the key areas that the company is focused on, certainly now, is looking at these high growth assets that we have in the portfolio and putting in disproportionate amount of resources in funding and talent to those high growth assets to exploit that of which Corporate Legal Services is one of those.

Delivering solution and insights is the continuing journey that we're on to ever increase our value proposition to our customers. Going from just information to more software solutions and insights is still a key part of our journey overall at the company level and certainly for our group. And driving efficiencies, looking across every line item in the P&L and looking for opportunities for savings or redirecting expenses for critical funding for growth.

You may have seen this slide before. Each one of our reporting verticals has a component of it that is a leading high growth position in the markets in which they operate in. And this is where the company is looking to put a disproportionate amount of its capital, its investment, its funding and its talent. And so across all of the spectrum of the verticals Legal & Regulatory, as I said that's where Corporate Legal Services is reported, it makes up about 28% of that division's revenue and last year we grew at 6% organic growth. And all throughout the verticals that's where you're seeing this, this kind of focus if you will. And last year at this time my colleague Brian Longe shared a deep dive on Financial & Compliance services. So today we'll talk about Corporate Legal Services.

I want to get into the overview of the portfolio now. As I said it's not one business, it's really five P&Ls. Five separate businesses operating across four market spaces. We were at €424m of revenue last year, 6% organic growth, 13% all in growth when you consider the impact of acquisitions.

The first vertical Legal Compliance Management, to make it simple and give you the simple definition for each of these spaces, this is a group of businesses. It's all about helping businesses form legal entities; form entities and keep them in good standing. And that's what we do in Legal Compliance Management. Help them manage all the regulatory requirements, the legal regulatory requirements in the states in which they operate their businesses.

Our Lien Management business is really all about helping investors and lenders mitigate the risk. And to secure their rights on collateral that is pledged as part of a financial transaction. So think about lenders pledging collateral to borrow money and placing a lien or a claim on those assets and that's what the Lien Management business helps do.

Brand Management is all about the world of trademarks and brands in general. And here it's helping intellectual property professionals understand which brands are available for use when they're trying to launch a new product. And once they do establish a brand how to manage that and maintain that and protect it against anyone looking to infringe on the rights of that brand. That's our Brand Management business.

And lastly our Legal Spend Management is really all geared around corporate law departments and helping them manage their relationship with outside counsel, specifically the billing process and to collaborate on matters. And we deploy software with the corporate law department and with their outside law firms to help them manage that relationship and ultimately to improve the return on an investment of that legal spending.

That's what we do and who we serve is a really eclectic mix of customers. So ranging from the very top of the house to 70% of the Fortune 500 companies we call our customers, the largest law firms, 90% of the Am Law 100 are our customers. 80% of the largest US financial institutions - banks are our customers. And also all the way down the spectrum to entrepreneurs and small business owners who look to us to be their source for legal compliance management specifically.

And the roles in the companies are very diverse as well. So in some cases we might be dealing directly with the General Counsel and that's our customer. In some cases it's the paralegal. In some cases it's the underwriter in a financial institution that's looking to underwrite a loan and looking to us for risk management services in our Lien business. In other cases it's an intellectual property professional or a marketer who is looking to brand a new product. So it's a very eclectic mix of roles actually that are the end users of all of our products.

I'll give you a little bit of the history of this space - how did this Corporate Legal Services unit come to be. It really starts for Wolters Kluwer in 1995 when Wolters Kluwer purchased the company and our best known brand, our largest brand in our portfolio, CT Corporation at the time. CT Corporation is the largest brand in our Legal Compliance Management vertical. And its history dates all the way back to 1892 is when the company was formed. And the founder of the company at the time James Dill actually created the market space in which this business operates in. It's generally referred to as the registered agent business.

And this business was created because back in the 1800s the States were looking for a way to facilitate inter-state commerce, if you can just imagine back that far that was a big thing - how to get out of the bounds of your own state and sell your goods into another state. And there was a lot of concern at the time about well if you don't have a presence in my state how do I know I can find you if I need you. And that's what gave birth to the registered agent model - that while you don't have a personal presence in the state you can designate someone as your resident agent, or your registered agent to conduct the legal business on your behalf to receive legal documentation on your behalf. And that's the registered agent business model being created in 1890s.

Since that time the evolution and the growth of this portfolio has been all about product innovation, product adjacency expansion and market expansion. So 1983 is when CT at the time acquired Trademark Service Corporation which later became the brand Corsearch which is our Brand Management vertical business.

In 1999 CT acquired a series of UCC assets, that stands for Uniform Commercial Code, which is all about the lien processing business. There's a whole bunch of point solutions at the time that were taken together and created a one workflow for Lien Management and that was a set of businesses acquired in 1999.

Our Legal Spend Management business TyMetrix is the brand name was acquired in 2003. And since then, it's again been a story of acquisition, we made a very important and critical acquisition in 2010 called Edital that took one of our businesses, our trademark business, global. And in 2011 we acquired NRAI which was a competitor in our Legal Compliance Management space and it really solidified our leadership position in that particular vertical.

So very rich eclectic history of growth through product innovation, market expansion, acquisition and that continues today. So it's a history that we're very proud of but it's a 120 year old business model all in when you think about its origins.

To give you an understanding about market position, in each of these markets we enjoy a really strong market position. In Legal Compliance Management, just pull up the brands at the same time, we're the number one registered agent provider in the US. The brands that we go to market with are CT Corporation, and as I said that's our most famous brand if you will in that space. It goes all the way back to the history of this space. We purchased NRAI in 2011 and BizFilings is our brand for entrepreneurs and managing online interaction with entrepreneurs in that space.

We are the number one provider of UCC Search & Filing. So UCC again the Uniform Commercial Code, just a set of regulations that helps determine the way that liens are searched and filed in the states and we are the number one provider of that service, again to banks and to law firms and corporate law departments. We operate that business under the brand name CT Lien Solutions. So you can see that kind of spin off from the core CT business.

Brand Management, we're the number two trademark research firm globally. And we go to market under the brand name of Corsearch in that business. And in Legal Spend

Management the number one legal e-billing software provider going to market under the brand name of TyMetrix.

Our competitors are not the type of competitors that you would normally associate with Wolters Kluwer for those of you that might track the company at kind of parent level. There's a particular set of competitors across these spaces and it's not the same in all of the spaces, which makes our portfolio of assets really a unique collection. There's no-one else that has the same collection of corporate legal services as we do.

In Legal Compliance Management, in Lien Management our primary competitor there is a company called Corporation Service Company or CSC. And they've been in business for about 100 years or so. Their history dates back to about 100 years. And there are also still very many local and regional providers in that space, very small but very important at a local basis in terms of companies and law firms wanting to work with local experts. So having local expertise is really important in this space of Legal Compliance Management.

Our Brand Management Business competes with Thomson CompuMark is the brand name that they operate under primarily, but we also see CSC in that space. But the number one provider in that space is Thomson CompuMark.

And in the Legal Spend Management space, there are smaller competitors, smaller privately owned competitors. Datacert, Mitrastech are two of the largest, but there are also many others out there and it's somewhat still a fragmented marketplace. It's worth noting that we also have a minority stake in Datacert. So we as a company own in excess of 36% of Datacert. That gives you hopefully a good sense of our competitive position and the landscape of the competitive environment.

This is kind of a high level snapshot of our revenue performance over the last several years or so. You can see that coming out of the recession business models suffering from an organic growth perspective and we've really done I think a really nice job of capturing the growth opportunity over the last three years or so where we've had kind of increasing organic growth rate from 2010 to 2011/2012. Four and high fives, it was 5.9% technically in 2011 to a little bit over 6% in 2012. And you're seeing that the transactional side of the business is really growing at strong double digits during that time.

The overall portfolio growing from €312m to €424m, about a 35% increase in the footprint and again that was driven by two important acquisitions that we did Edital in 2010 and NRAI in 2011. So very pleased and happy with the revenue growth performance and the profitability of the division, it's a very profitable division, and we deliver ordinary EBITA margins that are above the Wolters Kluwer average, so very profitable on a very fast growing upward folio.

People often ask me well what's important to your business, what drives it, what are the economic drivers? And what's so great about it is that there's so many because the portfolio is so eclectic in terms of its services. It's not just one thing. When I look at the economic activity certainly business formation and expansion drives work for us, drives volume for us. People want to establish new entities or expand their operations. That's

going to drive a lot of work for our Legal Compliance group in setting up those entities and helping them keep them in good standing.

Mergers and acquisitions, there's a lot of legal compliance work related to mergers and acquisitions so we love to see a hot deal environment and it's a very key economic indicator for us. And as you know it's been kind of hot and cold over the last couple of years or so. When it's been really hot it's been really nice and when it's been really soft it's been soft.

Commercial lending, another critical driver for us and it's been really strong for us over the last couple of years with the rates the way that they have been with a lot of companies looking at opportunities to refinance or as commercial lending is often a large part of M&A transactions or the funding for M&A transactions it's been a really powerful driver of our growth over the last couple of years or so - very key.

New product development is another driver of our business, so when you think about brand management and trademarks, the more money companies are pumping into innovation and new product development, the more work they're looking for to help support new brand names and trademark search and research.

Foreclosures drives a lot of work for us, it drives a lot of work for us in our Legal Compliance business in terms of the amount of legal documents that we're processing on behalf of our customers and trying to serve and to see the foreclosure process through. It drives a lot of work in our Lien Management business and it's obviously counter-cyclical. So we have a lot of different drivers kind of acting in different ways and I will tell you having done this now for three years they never all behave the same way that you want them to behave at the same time but it's interesting to see how one offsets the other as you kind of navigate through different cycles of the economy.

In addition to that, there's business activity I was describing that drives our business, ranging from globalisation and our customers increasingly getting global responsibilities and wanting the same solutions in the markets that they are now getting responsibility for abroad that they have in the US. And so they're kind of bringing us with them. They're saying can you do what you do for me here and do it now for my entire portfolio? It's an interesting opportunity for us, it drives our business model.

Outsourcing - that's a big trend in the market that we operate in where people are looking for more efficient, more effective solutions. They're looking to providers like ourselves to help solve many more aspects of the legal services value chain and we'll talk about that a little bit more in depth.

Litigation is a big driver of our business model. So whether it's the work that's coming in to our legal compliance businesses and driving the volumes of lawsuits that we have to then deliver to our customers and they have to respond to, or whether it's the volumes that's being driven in our Legal Spend Management business, our TyMetrix business and all of the volume that comes through that e-billing system is a key driver of volume and activity for us.



And then lastly there's government activity that drives our business. So whether it's regulation and obviously the more complex it is to manage and run a business and keep it in good standing, the more work that there is for us and the more dependency there is on us from our customers to say help me understand what I have to do. And it's not just the smaller customers that are asking that any more. Increasingly with the increase in regulation, you're seeing the larger customers needing much more consultation and help to navigate the landscape of regulation. And that's a real driver for our business as is tax regulation. So with tax changes in regulations between states companies are always looking for opportunities to optimise their tax structure and any changes to that sometimes require changes to the way that they are set up as legal entities in holding companies and the like.

Our revenue profile accordingly is split at 60% recurring and 40% thereabouts transactional. I will tell you though I struggle with these definitions because transactional kind of has two connotations to it for me. It kind of moves in relationship to the economic drivers which I understand and it clearly does. But it also seems like it is not sticky - transactional business, it kind of has that connotation to it. And I will tell you a big part of our transactional business is very sticky.

And by that I mean we have embedded in our customers' workflow solutions our software solutions and so it's not a matter of will they choose me when they have this need or this work that they need to get done, it's just how much will they choose me. And that depends upon the economic cycle. So the fact that we're deeply embedded in customer workflows makes that transactional business a whole lot stickier than it might seem to be on the surface.

The revenue by geography is our history has been largely a US business as you can see but we have a very important and very new opportunity in growth in the rest of the world and it's one of the fastest growing parts of our portfolio now which I'll talk about in a little bit more detail.

So people often ask me so what's your competitive advantage because you remember that people are paying us a premium for this service. These are premium legal services. This is not BPO or kind of low end or low margin type work. This is very high end work delivered by professionals to professionals.

So what about that creates a competitive advantage and what's really interesting and sometimes hard to explain is that it's not one thing. I don't have a lot of patented technology. I have some. But what I do have is this bundle of service offering that is very hard to replicate. And really it starts with our subject matter expertise. Over 120 years literally we have developed the subject matter expertise of what does it take to operate and navigate the legal regulatory environment within the United States.

Now keep in mind that operates at three different levels, the federal level, 50 states, individual states and how they operate, and over 3100 counties in those states that often have their own set of regulations. So if you're a business just try to imagine navigating that landscape and trying to develop that expertise on your own to figure out what do I have to do in this county and in this state for this type of business to be compliant. It's near impossible.

And by the way those regulations change constantly. So the fact that we're able to have that subject matter expertise is the start of the competitive advantage. What's really important is that there are rich information assets that are underlying all of that subject matter expertise that the teams are drawing on. Now keep in mind the teams that we have working with our customers, these are very senior, very professional people. There are often times 20 and 30 year tenure people that are working directly with customers as equal counterparts in the landscape of legal services.

It's important in this business to have global scale. To be big enough to be able to do what we do efficiently. But to also have local relevance and local presence is so important. People want to know that you know how it works in Texas and a lot of times in the county in Texas and that you're not some foreigner if you will that doesn't understand the local operating environment. That's a really important part of the value proposition.

And our robust technology platforms and software becoming increasingly more important as we're getting more and more embedded in our customer's workflows and they want us to develop software solutions to help them get their work done more efficiently. We wrap all that into what we ultimately deliver to customers, software services and insights. And for that this is how we're known in the marketplace if you will. This is how we're rewarded.

We're the subject matter authority in very complex and often times complicated subjects that have high stakes for our customers. When they come to us not only is the business stakes high but sometimes and often the personal stakes are high. The person on the other end of the phone - their job is on the line in a transaction and they need us to help them navigate through the compliance requirements, the lien requirements, the brand requirements and so on. Personalised service is what matters most to them in those times of need. It's not just that we get it done. We work with very demanding customers and rightly so because of the stakes being so high that they want what they want how they want it and they expect us to know that. And that's a really important part of the overall service delivery in this business.

I mention being deeply embedded in the customer workflows and that's what we get in exchange for being the subject matter expert and being able to know the customer's needs and personalising it, they welcome us into their mission critical processes like underwriting processes where we insert our lien solutions. Where people are making loan decisions, hundred million dollar loans decisions you'll see us, our software resonant in that process.

And as a result we have incredibly long-standing relationships. We have some relationships that go back nearly a hundred years if you can imagine that, with some of the largest banks, because of this role that we play for them. So it's really quite a multi-faceted package of assets and why people choose us and why we're able to demand the premiums that we demand in this space.

I want to now Google Earth it, if you will, down a couple of levels and maybe demystify a little bit exactly what we do in each business unit area. Because I get asked this

question a lot. So I try to make this as simple as possible. Let me take a use case for you. A typical customer use case in our Legal Compliance Management business vertical.

The brand that we operate in here is CT Corporation and I said we help businesses form and maintain good standing. So here's an example on the left. The customer use case. There's a consumer goods manufacturer company and they want to enter the US market. It's a typical use case. So the first thing they do is they get in touch with a US lawyer and they say can you help me get set up.

And then after they get set up what they realise is that - gee I don't understand what does it take to stay compliant within the US. I'm going to need an ongoing partner to help me maintain this business entity in good standing. So the verbs in the circle of what we do is we help form, we help maintain, and when there's no longer a need for that entity we dissolve.

So what will typically happen is the law firm reaches out to us to help register the company with the Secretary of State in the state in which they want to operate. And they'll designate us as the registered agent for that company. And what that designation does is it creates an ongoing relationship with us and the company to help maintain them in good standing by being the point person to receive all of what's called service of process or important legal documents that require a response. That's our role. And that's what we do when we maintain. We help that entity file all the information they need to file with the state and we provide registered agent services. Receiving the service of process and making sure it gets to the appropriate person for a response. And when there's no longer a need for the entity we work with the business to dissolve it properly so there's no ongoing liability. That's the world of Entity Management, Legal Compliance Management.

CT Lien Solutions, this is the world about Lien Management. That's our brand name CT Lien Solutions and what we do here is we mitigate risk in secured lending and M&A transactions. That's what people will come to us for and say I want to invest in something, I want to lend some money but I want to make sure that whatever collateral is involved is free and clear of any other claims. And sometimes I want to put a claim on an asset to help me manage my risks.

So here's a typical use case. A US lender wants to extend a \$50m loan to a borrower. In this case a food producer. So what happens? The borrower is pledging farm equipment and receivables as collateral for that loan. That's a typical transaction. The lender needs to though make sure that his rights are secure and that they are able to seize those assets in event of a default. That's the typical use case. Stakes are pretty high. It's a \$50m loan. This is not atypical.

The verbs that we do here, the value that we give, it's all about search, filing and monitoring. So the first thing we do is we search the assets that are being pledged as collateral and we look to see does anyone else have a claim on them. That's an essential part of risk management for this lender, is to make sure that these assets that are being pledged to him are not being pledged to someone else.

So we do that through an expansive database that we have on all of the lien information that is filed in the states. Now that might sound easy. It's really messy business. These records are kept at not only the state level but they are kept at the county level, so you can just imagine the process that has to be done to collect all that information and do quality searches. Customers could never do that on their own; the information doesn't exist in one place to do that. So while it's publically available information, it's put together in a very proprietary way to make it useful. And that's kind of consistent in many of our businesses. So we'll do that. We'll search and we'll say okay those assets look free and clear for any claims.

Next part is then to file a claim on that asset and to do that through what's called an original financing statement a UCC-1 document and that stands for Uniform Commercial Code 1. That's a lender putting a claim on those assets. And that starts the process.

Now you have to monitor that claim. And this is an important part and a very important part of the puzzle because UCC-1's roll off after five years. The claim disappears after five years. So if you have a loan out there for ten years and you're not actively managing that portfolio you've essentially given up your rights to those assets. So while you think you might be covered from a lending perspective, you're actually not covered if you don't renew that in time.

If the business entities change their name, merge or otherwise you have to be active in monitoring that to make sure that your claim remains valid. And you might have to make adjustments to that claim. So monitoring is a big value proposition in this space as well, to make sure that the rights are secured. High stakes in these examples for customers and they're coming to an expert for help to make sure it's done perfectly to get what they need.

Our Corsearch business is very similar. Here's the use case of we're helping to clear and protect brands globally. That's what they come to us for. So here's the stakes for the customer. In this case a large toy manufacturer is planning a new product launch. They want to create a new product and they want to call it Rising Rockets. That's their new big product launch. And they want to put \$10m, \$15m into a product and advertising campaign to promote this new product. And they have to go through the process of diligence and say wait a minute does somebody else own that brand name, because I'm putting in a lot of money to create that brand? So they have to check to see if it's available for use and then make the determination that says yes I can trademark this and make this my asset if you will.

Once they do they have to make sure that they maintain this as their asset, that no one else tries to consciously or intentionally or unintentionally infringe upon those rights. High stakes, this is a lot of money. Imagine launching the iPad and the amount of work that went into play to whittle down and pick the name, make sure that it's available for use and so that you're not running into any legal debates about the legality of you owning it versus someone else does over time, in fifty countries, in a hundred countries.

It's incredibly complex work and our value chain here is all about that process. We call it screening, searching and watching are the primary words and verbs and value propositions in the trademark space. It starts off by our customers use our data that we

amass from all over the world to do the first whittling down process. To figure out okay what's the possible set of names for this new product. I'm not going to lock it down to one right now. I just want to go from a concept to saying what's generally available, what's clearly not available and what's maybe available. So this is the first whittling down process.

Once they have that smaller list they then come to us for what's called a comprehensive search. Where we are scanning every asset that we can, trademark databases and beyond to make sure that we deliver to the customer the understanding of where those brands are being used or not used and what they're state is of ownership. A very important part of the process, again - that customers can never do on their own because to amass all of that information and to make it usable for that search would simply not be economical for the limited amount of searches that one customer does. So it's through that proprietary management of that publically available information and beyond is where we deliver value in a search process.

And then again here is this watch process. We called it monitor in the lien world, we call it watch in the trademark world where we're watching your trademarks for you and why are we doing that? We're doing that because oftentimes you'll see other companies want to infringe on the brand rights that someone has for a particular word or phrase in a space and you want to be able to defend your rights in a timely fashion. So you need to know who else is trying to do Rising Rockets or any other brand name that you're looking at and defend your rights against that. And that's our watching value proposition and trademark. Again very high stakes for our customers here which is why we're able to earn a premium for the services that we provide.

And lastly an example to take you down a level in our Legal Spend Management vertical. Our TyMetrix branded business. This is all about at the end of the day driving efficiency in legal services. And here's the typical use case. You have a UK based entertainment company and they are wanting to kind of whittle down their use of law firms to just the most essential ones and most essential partners that really understand their business.

They also want to then negotiate with them for much better rates and drive greater efficiency. As you may be aware the growth of legal services expenses for companies is a big concern and it has been growing at multiple rates of overall GDP growth in very many countries. So this has become a big concern for general counsels that are saying help me get this under control, help me make better decisions.

And so what we do here across the spectrum is we'll implement T360 which is the name of our software that is actually an electronic billing software that helps funnel all of those invoices through one software to be reconciled and ultimately to be paid to the law firms. That's kind of like step one in the process. Get it all amassed in one area.

Now once you do what the companies typically do is they look at it and they're surprised and a lot of companies look at it and they say I didn't realise we had agreements with 200 law firms. Because this is all happening kind of you know in a fragmented way. When you pull it all together you say really we're using 200 law firms? We say, yeah - I want to whittle that down; I want a more manageable group of external partners. And that's usually the first step in that process.

And then lastly once they have it whittled down then they take this information that we have and our benchmark information that we provide to them on the value of those legal services, the price value relationship of those services, and we help them in the negotiation process to get more efficiency for those dollars and to increase their return on investment.

A typical corporation in this space is spending over \$100m in legal services. So if we can help them improve their efficiency by 10% it's a pretty significant savings. Stakes are high, it's a pretty big deal for customers.

So hopefully I've given you a sense of a little bit deeper dive on each one of the businesses and the role that they play and when you zoom it back up for just a second, what we like to think of ourselves is that we're really kind of at the core here of connecting the overall legal community. If I were to summarise for corporations we're providing solutions and insights to help legal and financial professionals comply with regulation, manage risk and make smarter decisions about their legal services.

The government is a critical partner of ours. That's how we think about our state governments largely. While we're not earning revenue from the state governments, we are partnering with them and in fact we are helping them do a much more efficient collection of the fees for maintaining compliance with the state from companies. We're kind of a throughput for them for all those fees. It can be quite substantial for many of the larger states. We're helping the ultimate customer understand changes in regulation at the state level and we're promoting interstate commerce and that's our role with the government.

For small businesses we're helping them focus on running their business and not running their compliance. This space, while it's a very sophisticated space for large customers, for small businesses it's a headache, it's a hassle and it's something that they don't want to do. Make it easy for me. Make it easy so I can spend my time running my businesses and not worrying about this stuff that I have to do. It's a lot of value add for them. And when there's an issue, or if there's an issue, we're a critical link between their trusted advisor, their law firm or their accountant, and the company in terms of helping resolve those compliance issues.

Now very importantly we have a critical customer relationship with law firms as well. All this work that we do ultimately is for a corporate need, sometimes we're working directly with the corporation and other times we're working with their intermediary of the law firm. And so for law firms we're giving them intelligent workflow tools and expert services to help them do their job better to service their client, a very critical stakeholder for us.

And lastly when you bring it all together, ultimately we're empowering corporations to better leverage their outside counsel. To help them make more efficient decisions about litigation support, large scale deals and financial transactions. So we have a lot of tentacles in this legal services ecosystem with a lot of critical stakeholders.

So that's the backdrop of really who we are and what we do and why I'm so excited about this space and one of the reasons that I came over from Financial Services to lead up this set of businesses is that there is something going on in Legal Services. Without a doubt there is something going on in Legal Services, and it's really a large scale market disruption with a lot of exciting activity happening. I think it's summarised by this survey question best that Altman Weil puts out every couple of years or so to the top law firms and it asks the question which of the following legal market trends do you think are temporary and which will be permanent?

The fascinating evolution and trend here as you think about the responses to this question, so in 2009, that's about four years or so ago, these were the responses where leaders from the law first said, yeah I think there's something going on with more price competition seemed to be the most positive responses, 42% felt there was more price competition.

You go down to non-hourly billing, this law firm billable hour moving to some other kind of pricing scheme like fixed rates, about 27% of the people say, yes, I think that that's permanent. You go all the way down to the bottom two, lower profits per partner, that's what PPP stands for; will there be lower profits per partner? Is the economic model for law firms going to change substantially that they'll be lower profits per partner? Ah about 13% - we'll be okay, so there's a lot of change going on but I think we'll be okay. Outsourcing legal work, about 11% - see it as a trend but don't see it so prevalent.

Jump forward to two years and look at the changes to these responses in two years time. More price competition jumps from 42% to 89%, a big, big change to the legal model. More non-hourly billing, 27% to 74%, huge jumps, permanent changes people are saying, these are permanent changes. Looking now to fewer equity partners, 68%, smaller first year law graduate classes, 39% up from 11%. Interesting look at lower profits per partner, we'll be okay, 15% up from 13%. Something is going on, a big change happening in the economic model of legal services.

Now look at 2013, it keeps moving in the one direction, 96% more price competition, more contract attorneys, up from 28%, to 59%, to 74%, fewer equity partners, 72%, smaller first year classes 62%, lower profits per partner, a big change from 13%, to 15%, to 55% lower profits per partner. This kind of confirmation - this realisation that the economic model for legal services has changed. No one is exactly sure exactly where it's going to go, but increasingly people are pretty confident that it has changed, quite permanently and quite significantly. It's a fascinating kind of backdrop for where we operate as a Legal Services provider

And as I see it it's a dynamic and it's an environment that has unprecedented opportunities really for service providers like ourselves. If you run a group of businesses like I do, that's 120 years old, dates back to its history, you look for this type of market disruption. Because what it is it's all about the consumers of these services re-evaluating everything, they're re-evaluating price and value for the services that they're getting.

They're saying, am I getting the best deal? Could I be getting this somewhere else? Is this the best that I can do? What are my choices? And increasingly as service providers

we've been down here at the bottom end of the pyramid in low level legal work, legal support services. It's a very honourable living, just to share with you it's a great premium portfolio of services, but as you move up the pyramid middle level legal work, contract work, all the way up to the top very specialised litigation that's roughly the legal services pyramid and the pyramid is about \$250bn to \$400bn of legal services. That's what's at stake here at you cut up these services.

So kind of what's happening as result of the trends in the marketplace is you're seeing the line between what law firms and lawyers used to provide and what service providers are providing is blurring. Some of that is intentionally so, driven by regulatory changes, particularly here in Europe, where there's now a profound difference between what service providers can do and what law firms can do in terms of taking on more of the activities.

You're seeing technology just enable more parts of the workflow being able to be done by other providers, cost pressures, globalisation, outsourcing, all kind of pressing on this question of - hey let me dissect this workflow and see how best I can get it done. And so the line of what service providers can provide is certainly moving up.

No one is intending, and I'm certainly not intending to ever take on true legal work, and work this is required to be done by lawyers and professional, nor would we want to. But there is this middle ground that's kind of being re-examined today and you're seeing it play out in a whole host of situations.

That's the exciting backdrop that we operate in as a service provider in the legal services economy. This is our growth strategy in terms of how we think about taking advantage of that. Our strategy boils down to really growing our leadership positions in our core markets and finding opportunities in new markets against the backdrop that I just shared with you. It's a pretty simple and focused strategy that we think has a lot of opportunity for us.

So it boils down to protect and grow the core, by that I think we have significant opportunities to grow our share of wallet of legal services with our existing customers. Tremendous opportunities to drive operational efficiencies, we run large scale sophisticated processes with lots of data to support our customers' needs; looking through that to streamline those and take out cost is a significant opportunity for us.

Expanding into high growth markets, new product categories, product adjacencies, they seem to be in able supply as we talk to customers about helping them solve their problems and I'll show you some of those. New geographies, expanding internationally, EMEA, you probably don't often hear someone on the stage talking about the high growth opportunities in Europe, that's one of our biggest and highest growth markets right now.

Innovating using big data, this is the part that Sandeep will come up and talk about. There is a tremendous amount of data that we harness to support the core needs of our product portfolio. Leveraging it to get deeper customer insights to tailor our strategies for unique segments in the Legal Services space is a huge opportunity for us in terms of just being better at what we do and being more attentive to customers' needs. And



creating new business models, we are starting see and are already deploying some, and Sandeep will share some of that exciting work with us in just a couple of minutes.

What I want to do is I'll highlight for you just an example from each of the first two and then Sandeep will come up and talk about the big data opportunity before us.

So in operational efficiencies - I talked about this role that we play as registered agent in service of process, now service of process is really nothing more than receiving critical legal documents, reviewing them, making sure we understand who they're intended for and getting them to the right person that the customer wants us to deliver them to, whether their own counsel, or an outside counsel for the proper response. It's an absolutely critical part of any large corporation and mid corporation for that matter, risk management process.

We receive 15,000 service of process every day; someone said we're kind of the equivalent almost of a typical US post office that's how much we've got coming through in terms of volume, 15,000 a day. And our job is to get that as quickly as we can to the person that needs to respond to that. Now the consequences of not doing this well are pretty significant for the customer.

So what the customer will face in the case of a lack of response to a service of process is subject then to the default judgement. So the default judgement is really whatever the plaintiff is asking for in damages. And so if you don't respond, often the courts will say - well you didn't respond so therefore I'm finding in favour of the plaintiff and you now owe them ex dollars, whatever they are suing for, it's a big deal and these numbers can be very large. This is a large scale operation and it's mission critical for the customers that we serve and the response times are quick and there's no window to be wrong in this process, it's very, very, very important.

So when we looked at this for process efficiencies opportunities we wanted to be really careful and really thoughtful, because this is a really important process, but it's also one of our largest business processes. And what was happening in our process is that it was a very effective process, the quality was great. But the nature of the process was that we were literally getting incoming coming in each of our 50 office locations across the country, and each of those office locations was doing the entire value chain from receiving the information, reading through all of those documents to understand what was it all about, not to give a legal opinion, but just to understand what was this case all about and who does it need to go to. If it's this type of case my customer wants it to go to this lawyer, if it's this type of case it needs to go to another lawyer, that's the value add process that we put on and we make it easy for our customers to respond. But that was happening 50 times over in every location.

So we took on the challenge, it was to say - well listen can we keep the quality and reduce the cost and perhaps improve the customer experience? And that's what we did and we're in the process of deploying this as we speak to where we've taken this large scale operation now from 50 states, we still have incoming coming from 50 states, but we're processing it now all in four basic locations, really un-complicating the process now and really driving for efficiencies.

So we have our processing centre, so you'll receive the incoming, it all gets digitised and gets sent to one location for experts to put the value add on top of that and to read through all those materials and to make sure it needs to go to who it needs to go to.

In addition what we used to as you can image, when you have 50 states each sending out this document to our customer, one customer could get ten envelopes a day from us, from ten different locations saying here's all the information that was delivered to us and now you have it. Today it's all brought together now in one package, which might not sound like a lot, but imagine being on the end of that process and saying - what is all this stuff kind of coming at me. It was a very effective process it just wasn't the greatest customer experience.

So oftentimes when you're looking for cost reduction opportunities and looking at what we call core process redesign and we've bought in experts, this is a science about studying your business process and looking for efficiencies. What we have found is that oftentimes when you start out with cost reduction as your objective you find additional business opportunities, ways to delight your customers and that's what we found in this process.

Here's what we found when we started working with a major retailer. They said, this is great, I love the fact of how you guys are tackling this process, but I've got to tell you I would love it if CT, CT Corporation could take our garnishment PO Box, it would free up staff time and stop a lot of overtime, what are they talking about? As a registered agent we receive the lion's share, often, of our customer's legal documents. But keep in mind that people, plaintiffs and garnishments can be served directly on the corporation bypassing us as a registered agent. And that's perfectly fine, but it creates a lot of complexity and headache for customers. Because as you can see they have a whole staff dedicated to looking through garnishments, we do this all the time and a very high volume and high scale level.

So once they're seeing what we can do for them on this side of the equation, they're saying in this case they have three times more legal documents coming to them for their garnishments than we're serving as their registered agent. And they said, can you take this on for us, I don't want to do this anymore, this is really important stuff but I'm not set up to do it well?

We have associate General Counsel from a top five bank, the same thing with SOP and the litigation, sometimes it's served directly to the customer and not the registered agents. And I prefer that SOP is served on CT, because CT takes care of getting it to the right person. This is absolutely the most critical step in the response phase. In this case they get 13 times more SOP delivered to them than we get as their registered agent. And we're working with them now to figure out how can we collect all that information and we can provide the value add to you.

In the case of an attorney in a financial institution, I just like the way you guys process this better than we can, I like CT Advantage which is our proprietary software for managing SOP, it's very easy to use and this helps him sort through his workflow to figure out what does he have to do with this particular litigation that just came in, they're saying I want it in your software, I don't want it directly served to me, how can

we make this happen? In this case 60% more volume he gets directly served than what comes to us.

We're saying not a problem we can work with each of these cases. And what we're realising is that there two to three times additional volume of playing this role of receiving critical legal documents, assessing them for what they're all about and who needs to respond and getting them to the right person for response, an essential critical part of a General Counsel's workflow. So we're very excited and working on this opportunity as we speak, specifically with these three clients to see about how to capture all of this additional opportunity and volume. And that's what happens when you set out to find process efficiencies, you very often find new value add opportunities.

We'll talk briefly about extending into product adjacencies, because this has been a big part of our growth and will continue to be a big part of our growth going forward. I mentioned the Lien Management workflow; it's all about performing Lien due diligence, searching for liens, filing a lien and monitoring or managing a lien. And I mentioned the category of assets that we do that for are covered by what's called the UCC or Uniformed Commercial Code in the States. And that covers the majority of business assets. And so when you look at loans outstanding as the size of kind that business opportunity there's \$1.5 trillion worth of commercial industrial loans that oftentimes require some type of secured asset to facilitate that loan. So it's a very big market for us and we're clearly the leader in that market.

But there are some assets that are not covered by UCC, like the space of real property or mortgage, now what does it mean not to be covered by UCC, it just means it has its own set of data sources, its own set of rules and its own set of forms to perform the value add of search, filing and monitoring. So it's just a different asset category of the same type of work that we do, we just need the data, the forms and the logic to know how to manage that. And that's an area that we've expanded into significantly over the last couple of years and it's been a key driver of growth in this business line for us and will be going forward.

There are also other assets types that we currently have smaller footprints in, but have a significant opportunity for us as well, and that would be vehicles. So oftentimes vehicle pledged as collateral is not covered by UCC, it's got its separate set of information, rules and forms to manage that asset for the purposes of Lien Management; lots of those kinds of product adjacency opportunities in the portfolio.

Let me take you through one example of this legal process outsourcing where people are re-examining that pyramid that I was showing you before and saying, is there a better way to get this done, or a different way to get this done. Here was a case of a customer need where they had large global lenders. And what happens in the States when you file for a foreclosure if you're a lender is because of all the trading that happens in mortgage portfolios it's often unclear who is actually the owner of the mortgage. And in many states they require that before you start the foreclosure process you have an assignment process where you make it very clear who is the owner of the mortgage.

Traditionally these lenders were using law firms for that work and the volume of this was so much that it became a significant expense for them and they wanted to have a better

control over it. So they were reaching out for us and saying do you guys have any way to assist us, we're like to - in a lot of cases we can do this work ourselves we just don't know how.

And so what we were able to do is enable our lenders to utilise our mortgage product, which is called iLienRED Real Estate Documents and basically show them that they had all the information they needed to do these assignments, we work with them with some modifications of workflow and basically they were able to now insource a lot of this work and do it themselves using our capabilities.

Why is this so important? Well it's so important because it dramatically reduced the cost of this assignment process for these lenders before they were going to foreclosure. And for us it turned into a multimillion dollar new market space for us. And we're currently underway with a couple of large lenders right now deploying this solution in their workflow. So it's just one of those examples of while you're out there talking with customers and there's this big transformation happening in Legal Services where people are asking these questions you collaborate on solutions like this. And that's certainly what we're experiencing and seeing and part of what's driving our product adjacencies.

And lastly our international expansion plans. As I said to you and I showed you in the data earlier that our history has been a US business and we had a large US footprint, but leveraging our services internationally has been a keen focus for us over the last three years or so.

And a lynchpin to our international growth has been an acquisition that we did in early 2010, it was a company called Edital. And this is in our Trademark or Brand Management space. And essentially at the time what you had is two kind of local or regional competitors, Corsearch, primarily focused in the US and Edital primarily focused in Europe and they were each kind of competing against that one global competitor Thomson CompuMark. And we saw this as a great opportunity to bring these businesses together and create a viable number two global competitor in the space of trademark research. And that's essentially what we've done. We've taken the best capabilities from each of these companies and the coverage from each of these companies and brought them together into one company, a global Corsearch company, which is now the number two global trademark services provider, growing faster than the market.

We've significantly bolstered our information, our capabilities, and our data by bringing the two companies together and we're seeing double digit organic growth rate in Europe from this best of breed solution. In fact in 2012 organic growth in Europe for this business is 23%, which seems again somewhat odd and out of place because of the economic environment, but what you're seeing is a market entry of where there's now a legitimate number two global choice in the space of trademark research where there hadn't been before. So it's a pretty powerful story on using acquisition and international expansion to grow the portfolio.

I now want to introduce Sandeep and set up his part of the presentation. When I came over from Financial Services to this set of businesses, people said, Richard I don't understand what you're doing, like what do you know about this space? And I said, well the truth be told I don't really know much about Legal Services, but I know a lot about

information intensive service businesses. And that was my experience at my former employer in financial services. It was an information intense business that was using that information to develop value propositions to serve customers, that's what we do here at Corporate Legal Services. And the information that we have to work with is absolutely enormous and there are incredibly untapped assets in our portfolio. And when I got here and I saw all these assets I said - wow not only is there the power to drive better results in our core businesses, but there's power to extend the value of these assets into new business opportunities, or new business models.

So I reached out to Sandeep, Sandeep is a former colleague of mine from my time in Financial Services and I said, you've got to come over here, you've got to see what we have because he's more of a geek about this stuff than I am. And it certainly proved out to be the case. And so he's been with us just about over a year or so, really combing through this information and really figuring out how we can bring this forward and better not only fuel our core businesses, but also monetise this into new opportunities. So with that I'll introduce Sandeep to take you through that.

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### ***Harnessing the Power of Big Data***

#### **Sandeep Sacheti, VP Customer Insights & Operational Excellence**

Thank you Richard and thank you for introducing me as a geek - yet again. So I hope I live up to my reputation of being a geek. But really it's actually quite exciting to be part of this organisation where data is at the heart of what we do. And more importantly the customer intimacy that we have because of our interactions with our customers, literally millions of times a year, it ends up generating all kinds of exhaust data , which when harnessed properly turns into big data that we are monetising for the benefit of our customers.

Now all of you read all the trade journals, as well as newspapers and you know there does not go by a day these days where you're not hearing about big data. What we're going to tell you today is about how it's actually transforming our industry and our sales into delivering value for the legal community. You don't often hear about big data in the legal community and you certainly don't hear much about big data actually being utilised for monetising value and bringing value to the customers. It's often talked about in terms of more of the technology advancements and the science behind it. So today I'm going to just make it completely practical and how it's being helpful to our customer base, our legal and compliance professionals.

So what I'm going to do is take you through a series of examples, through our vertical lines of businesses the Richard introduced and kind of show you the power of the data, the richness of that data and how we are harnessing it back to our customers.

So our first example is from the Legal Compliance Management space, this is the largest vertical that Richard talked about, where we are the market leader. In the US there are about 20 million businesses that need to operate. Now put yourself in the shoes of running a large corporation in the US, let's imagine a retail operation, a retail operation typically operates out of multiple locations, think of any big retailer, it operates out of multiple locations.

Now remember the US is one country, however for the retailer it might as well be many, many, many, many countries because the local laws have to be adhered to for them to stay in good standing. 51 jurisdictions, over 3200 counties, you do the multiplication and it turns out to be a fairly large nightmare for the chief compliance officer of that retail operation.

What we are able to do is because we see all these interactions and all these data sources we're able to actually harness all this data and put this into a very large database of legal interactions between the state and these businesses to comply with the local laws, 238 million observations we've been able to curate and put into this large big dataset if you will.

What does it have? We have the ability to understand more than 3,000 legal entity types, so these are business types, limited liability corporations, limited liability partnership, non-profit organisations, C Corps, S Corps, etc, etc, all the variations that each of the states have. What statuses they have, are they dissolved, are they in good standing, are they in delinquency standing, etc. And last but not the least, 1700 types of compliance activities across the state lines that these guys have to follow.

Put all of that math together with the service interaction that we operate with we're able to now harness this data and not leave the compliance officer of this large organisation to figure out on their own what location needs to file what form, in what state, at what time, but we are doing this for them now. So we're all to provide them a once and for all a comprehensive end to end compliance solution for their entire organisation in the US; a pretty amazing outcome for the chief compliance officer - the power of big data being brought back to the customer.

Here's another example from the same vertical, Richard talked about the 15,000 documents that he gets, which is actually, if you look at it the average post office in the US received less mail than that these days. 15,000 documents per day collected, curated, millions of documents a year and over the years literally millions and millions of documents. Not only have we actually collected these documents, we've converted them to digital form and data.

What we are able to do is create a database of 2.5 terabytes of information, that's a lot of information and classify it into who is suing who, who are the plaintiff parties, who are the defending parties, for what is the case, what is the jurisdiction, what is the restitution amount, when do they need to respond by. All of this detail, rich detail information allows customers to see trends for themselves, which location is getting served for what? How many times? Are there locations that are actually having more compliance problems? These kinds of insights - only when you have large amounts of data can allow the customer to view. If you have only point solutions you will never be able to see the trends. This harnessing of big data again brings life to the richness of the information.

From our Lien Management space Richard talked about the banks and their reliance on the underlying collateral to lend large amounts of dollars from lender to the borrower. Again, because of our market position we're able to collect 55 million liens and put this

into, again, a digital form and a database, where again we're able to see all the information that's associated with debtors, secured parties, and the underlying collateral.

Now what's the beauty of all this harnessing of this data, again it's to understand that when a lender is lending money to a borrower and looking at that underlying collateral, who else has that claim on that asset, are you in first position on that lien, are you in second position, are you in third position. You want to be as high as possible. But lenders would often go and lend money based on second position as well. Now they just want to make sure that they're protected. When is this lien coming due?

So we are able to again harness all this richness of information, which you would never be able to do if all you were doing was filing for liens. But because we have been gathering this information and digitising it into a database of 55 million liens you're able to provide these value added services to the chief risk officer and the chief compliance officer of a large bank and a financial institution.

The next line of our business, Brand Management, a similar opportunity; now imagine here you're a brand officer for a large multinational company, and brand often happens to be the largest asset that a company has. If they were going global, rather than looking for point solutions, because we have harnessed all the data globally of 60 million brand names identified and solidified in one database we're able to offer brand solutions that cut across geography.

Not just that, we are able to actually watch their portfolio of brands globally. So whenever somebody tries to infringe on the brand anywhere in the world we are able to inform them and protect their rights, again possible only because of our investment in big data.

In the next line of our business, the Legal Spend Management business it's a very interesting and unique set up that we have created in the industry where we don't sell software, you don't buy a diskette from TyMetrix and say okay go ahead and implement an e-billing system for yourself between the corporate law department and the law firms. What we sell is software as a service, so we create the network, we enable that network, and because we are the hub we see all the invoices go from the law firms to the corporate law departments.

So what we have actually done is went back to these corporate law departments and seek their permission, by anonymising all this data, so we remove all the sensitive information, anonymise it and seek their permission to actually benefit the entire community if you will.

We've been able to gather \$43.5bn of legal spend billing information through all these interactions, again anonymised and permission based, very important because this is sensitive information, permissioned based \$43.5bn of legal invoices, very importantly look at the richness that we have been able to get out of this, information on 285,000 lawyers and paralegals globally, this is a global database. 120 million tasks and activities associated with these invoices and very importantly 425 million hours of services provided from law firms back to corporate law departments. Just the level of richness that is available it is absolutely amazing. This we believe is the crown jewel in

the industry. And again we are harnessing all of this to bring services back to our customer base and to the legal community.

So now if you think about - and I just gave you a brief glimpse of the assets, we have a lot more. Now the challenge here is each one of the lines of businesses that we talked about the service interactions that are generating this very rich exhaust data, curating that data itself is a feat in itself. Putting it together as a usable asset for the company and to bring it back to the customer base is quite amazing. What we believe is actually quite unique in the industry is how we are marrying this information with the subject matter expertise to make it truly impactful and embed all of that information and insights into the workflow solutions for our customers. So we truly believe that what we are creating is an industry solution and an industry best which allows the customers to have a comprehensive set of information that's insightful and actionable.

So what are our customers saying about this? It's nice and good that we like our information, but do our customers like our information? Well they're voting with their feet and with their dollars, so Richard already talked about the revenue. They are also actually voting with their responses to our surveys. We do a very scientific and a rigorous analysis of what our customers - are they willing to be promoters for us? And they are empathically giving us high marks again and again and again across every line of our business.

In this particular case of the \$43.5bn of legal invoices that I talked about, we've converted this into dashboards; we've converted these into reports, the real rate report, the engagement - specific engagements in the deep dives that we are conducting with each of our individual clients. And here's a quote from one of the law firms, Massey & Gail, Lenny he is saying I don't know where to begin, the data is incredible. Now I don't know how many lawyers you guys hang out with but the ones that I talk to tend not to use incredible as a word too often, and certainly not in conjunction with data. Lawyers are not known for their data orientation for trade changing behaviours. We're actually making it useful for them.

So what is it that they're using all this information for? They're actually using all this information to create their value proposition back to the Corporate Law department. They're utilising our benchmarks to justify their value and identify where they're saving money for their clients and why they're charging higher fees for this matter versus that matter. They're driving efficiency in the system, they're driving transparency in the system and winning more business because of the data that we are providing them.

Where are we going with all this? So remember in the Legal Compliance business that we talked about where we receive all these lawsuits, millions of them actually we have collected over the years, imagine you're again a corporate law officer and you get a case which by the way we see first, so the case type which we are classifying, it's a litigation lawsuit. Very specifically it's a product liability lawsuit, and even more specifically it's a bodily injury case. This happens to be a manufacturer, and remember what Richard talked about, in the US there's no one set of laws, local jurisdiction matters, this is a case that needs to be fought in Tucson Arizona, it's a community in the US.



The allegation is for half a million dollars, \$500,000. What can we offer them? Remember the millions of cases that we have seen before that we have already classified in these buckets, these details matter. Not only can I provide them generic advice of trends etc. but we can actually fine tune and look at the same exact datasets and look for that geography as well, that jurisdiction and say these are the number of the cases we have seen before, here's what happened in those cases. Details matter.

Knowing the geography, in some geographies there's litigation is hard, judges and juries are more prone to higher damages, in other geographies they are more restricted and juries are more prone to side with the defendants. That detail can matter dramatically. But very importantly now if you married this data with our legal invoice data, think about it, we'd know exactly how much would it cost, what would be the range of fees associated with this type of case for this type of jurisdiction. On the low end it might cost from a legal fee perspective \$10,000, on a high end it might cost \$75,000. Knowing that range could dramatically enhance the value proposition that we provide to the customer base, but very importantly now a lawyer sitting in a corporate law department can decide should I go to court, fight this case out, knowing that I have a pretty good chance of winning? Or should I settle out of court because the legal bills are going to be high and my chance of winning is low. I don't want to risk the \$500,000 loss for the company.

This level of insight and this level of granularity makes it critical and useful for the client. They're able to convert all this data into outcomes for themselves. Very importantly then we are able to also granularly point out if you do go ahead with this case what type of fees and what type of billable hours should you expect from a partner or an associate or a paralegal, which allows them to manage the entire lifecycle of that case. These are the kinds of things that we are working on right now. The future for us is pretty exciting based on data.

So it's nice to know that what we are bringing to our customer set today, they're appreciating it, they're liking it, they're voting with their feet and their dollars. But very important are we making an impact in the community, are we being heard? And the good news is the front page of the Wall Street Journal is talking about us, that's got to be valuable. But what is truly valuable is how the trade media is talking about us because that's where they know what's the wheat and the chaff. They're able to distinguish is this adding value to the profession or is it just, you know, a minor issue?

So we are liking and we are heartened by all this. So if you look at across our lines of businesses every one of them is data rich. Ever one of them is interaction rich. And because of that deep intimacy of our customer relationships it is generating an incredible amount of exhaust data which we are converting into monetisable big data. And what it's doing across the board for us is allowing us to move from point solutions to capabilities that allow us to partner and become indispensable partners across the board for that customer.

And just to kind of summarise if you will, in the Legal Compliance management space we're going from being a registered agent to an end to end compliance solution provider. In the Lien management space we're going from an important filer of information, critical information, to being a partner to the chief risk officer of that bank, to ensure that their

claims on assets are protected. In the brand management space we are going from again doing the screening and searching, to global brand protection for a multinational organisation. In the legal spend management space we're going from being an e-billing software provider to allow the ecosystem to maximise the return on investment.

So from the vantage point that I sit in what I see is that there's a sea change going on in the legal profession. And while the legal professionals are not known for their data orientation, they're certainly when talked about data and big data bringing value to them in the way they operate which is critical, we don't talk data, we talk in terms of their language, how it's going to transform their decision making, how it's making their services more valuable. They look at us as incredible, important partners.

So with that let me hand over to Richard who is going to wrap it up.

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

Thanks Sandeep. So hopefully that presentation kind of demystified for those that don't play in the big data space. You read about it every day. What's the difference between big data and actionable big data? Our data scientists. And so just about a year or so ago we had zero data scientists on our team. Now with Sandeep coming on board and building a team we have 15 data scientists that all day long are trolling through these assets, solidifying them, nurturing them, making them greater accessibility for our teams to leverage, to deploy segmentation strategies and also build out these new business models.

So this is real stuff we've put the legal analytics into the marketplace, announced that about a year or so ago, and it's getting significant traction from our customers because people want to know more about it. The market is still developing. People don't quite know what to do with all just yet so we're having to actually help them and kind of take them through that process. But there's no doubt that the need is certainly there. So it's a new and exciting growth area for us.

Hopefully we did our job today and well gave you a better understanding of the Corporate Legal services portfolio. In summary it's a key growth area for the company, it's a major contributor to revenue growth and to profitability. We have strong brand awareness across all of our businesses as really the market leader or market leaders of the spaces in which we operate. We think that we're well positioned and capitalised to take advantage of these market trends that I shared with you, that are profound and significant and real. There are strong growth fundamentals in our market, but there's ample opportunity for product extensions and market expansion as well. And we look regularly at a selective group of kind of high growth assets that complement our portfolio. We built this set of businesses over time through acquisitions and through add ons to complement the portfolio, and we continue to look for opportunities to do so and expect to do so going forward.

So thank you for your time and we're going to now open it up for questions and I'll join Sandeep at the table for that.

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**Questions and Answers**

**Andrea Beneventi, Kepler Cheuvreux**

Good afternoon everyone. Thank you for the presentation. I have a couple of questions to start. You have described CLS as a defensive or even countercyclical business which drives through transactional revenues in the past. I was wondering what has changed between the period before 2010 and now in transactional revenues? And could you please help me to understand how you have improved your business mix and what should we expect as normalised growth rate for transactional revenues? Is coming back to 12% growth achievable this year or the next?

And the second question is for Sandeep. Is the cost of running such a massive data infrastructure also growing exponentially, and is there any savings to be made or third parties that could buy this data?

.....

**Richard Flynn, Group President & CEO, Corporate Legal Services**

I'll take the first part, the transactional side. So hopefully I did a good job of helping you understand that there are just many different factors that drive our business and that transactional side in particular. Some are cyclical, some are countercyclical. They don't all operate in the same direction at any one given time. What has happened since 2010 to drive the transactional growth that you're seeing is that a big bounce back from the recession, particularly on commercial lending which has been really strong because of the favourable rate environment, and also we've gone through some specific kind of spurts of very intense M&A activity during that time. Those are the ones that are continuing to drive the transactional side of the business. They're somewhat difficult to predict. The M&A environment in particular has been kind of hot and cold, and in the States we had this kind of rush last year towards the end of the year for fiscal cliff concerns that kind of accelerated a lot of that kind of activity. And so as we started the year we had a watchful eye on the M&A environment in particular.

I'd say it's still a little unclear and it's still a little choppy as it relates to M&A, and you know you hear a lot of forecasts about it's coming back, it will come back strong, and then you hear a lot that say jeez we don't know where it went or when it's coming back. So we're encouraged by what we see as we start the year. We don't make forecasts obviously for our business or for the revenue; I know, I'm sorry to say. But we're encouraged by the way that the year has started.

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**Sandeep Sacheti, VP Customer Insights & Operational Excellence**

On the data question, you know I think the cost of technology as you would expect has been dropping precipitously and especially big data space. So it's not as high as you would think. And very importantly we are not making investments to bring databases, large databases, together for the sake of databases. I know in the industry there is a lot of push towards just let's buy big boxes and big hardware and all that. That's not how we're operating. We're ensuring that every time we make an investment in any one of our verticals in data it's translating into fundamental operational excellence for our

customer sets that we serve today. So by and large all of our investments are paying dividends from day one on.

So you saw Richard talk about operational excellence and our large document processing business of legal documents, 15,000 documents we receive every day. That came about because of transformation and data fundamentally. It paid for itself day one. So in essence what I'm saying is that first cost is not very high to bring about some of these technological changes these days. And second is look for investment in opportunities which have immediate return for the customer. So that's how we are balancing the two sides and ensuring that this doesn't go crazy.

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

Sandeep and I have worked a long time in this space together and I think the one word that we always keep front and centre in big data is actionable. There's a lot of places to explore that are interesting, it's trying to balance the interesting with the actionable to make sure that the investment is getting paid for in terms of the returns. And that's a very key discipline for the areas we build that out.

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**Andrea Beneventi, Kepler Cheuvreux**

Thank you very much.

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**Nick Dempsey, Barclays**

Two questions please. The first one, just kind backing out the recurring revenue growth at CLS, looks like it's been roughly low single digit in the good times and the bad times. Is that how we should think about that going forward or how can you transform that because that's been fairly consistent?

And the second question, looking at your international expansion that seems to be I guess mostly in the trademark area. Do your other areas just not work in other geographies or do you have opportunities there?

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

Sure, thanks Nick. On the recurring side of the house what you've seen in - so it has been a very stable part of the portfolio. It takes a setback sometimes and really big down cycles like we had in the recession, but it's fairly stable. And as you pointed out it's kind of more in the single digit revenue growth. What we see for the opportunity for more subscription like services are the types of services that Sandeep is talking about in his presentation where we're moving up the value pyramid and we're moving from getting the deal done at the transaction level, working with roles like paralegals, to moving up to the senior tables at our customers and working on much more diligent reviews of their entire portfolios, or helping them manage their portfolios on an ongoing basis. Those tend to be more subscription in nature and more ongoing, and yeah I think

you'll see more of that come from the portfolio over time as we expand out the value propositions.

In terms of international expansion we started really with our TyMetrix business even before the Edital acquisition of building out an office in Europe, as we saw the wave of legal services maturing to a point in Europe where cost was becoming a pretty significant concern and the overall environment for litigation was increasing. And certainly that's been the case and that is a market as well that's growing pretty significantly. It's small but it's a market that's developing kind of on its own accord in an organic way, and beyond Europe the Middle East has also been an area of opportunity for us in the TyMetrix business. So those are the portfolios where we have kind of made significant investments in international expansion both in Corsearch and TyMetrix. We do think that there is applicability for international reach for the compliance management as well as the lien portfolios. We haven't yet prioritised those as opportunities but I think that there will be areas that we will explore over time.

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**Ruchi Malaiya, Citi**

Hi good afternoon. I was just wondering if you can give us some idea of the differing operational gearing profiles between those transactional revenue streams and the recurring revenue streams?

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

Sure. Well I mean largely we're a service business and we're people using information to serve people. So the largest component of our cost base is going to be just that, people, and a significant investment in technology to help not only our own people deliver those services but have customers self-serve as well. And that's really true kind of across our transactional as well as our recurring revenue business. So there's not a significant difference in the overall kind of profitability dynamics between the two. It varies across the businesses and it varies on the different value propositions. And it's a highly scalable business in terms of that we're able to accommodate, it's kind of like I'd say a step function kind of increases that we have to think about. There's a fair amount of flexibility in our cost base to be able to absorb significant incremental demand like we've seen coming back from the recession. But you do hit some plateaus in that and have to kind of add resources to accommodate extra demand. So nothing too significant though, I mean it's just a normal part of running an operation and kind of expanding it when you see those peak volumes.

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**Hans Slob, Rabobank**

Two questions. At the beginning of the presentation you mentioned you have a 36% stake in I think a data search company. Maybe you could elaborate a little bit more on this. Is this core or is this defensive move or would you like to hold onto this stake or maybe not?

And secondly you mentioned about expanding the Lien search business into mortgages. Wolters Kluwer Financial Services have a very big I think mortgage processing business. What are the synergies between that business and the Lien search business, and makes that easier to build it out?

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

Sure. The data search stake is something that we invested in, I think it goes back as far as ten years or so ago, and it was a stake that we took in a company that was kind of new and developing at the time. And so it's an important stake for us in an important space. There's a lot of activity, there's a lot of interest right now in the legal spend management space in which TyMetrix operates. So we're very happy, we're very comfortable with the stake. We have no plans for it at the moment and it's something that is an important part of our investment portfolio.

Your second question?

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**Hans Slob, Rabobank**

Do you have an option to buy the majority out?

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

We do not but it is part of an overall portfolio of minority investments that we have.

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**Hans Slob, Rabobank**

And my second question was about the Lien search business going into mortgages and you have a Financial Services business also in mortgages.

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

There are some synergies there but certainly for a lot of those the buyers are different. So the buyers in our portfolio tend to be the underwriters in the loan process. And so while there are certain kind of data efficiencies and we partner with that group on the data overall and some of the forms that support those processes, the end customer tends to often be very different and that's kind of where it splits apart.

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**Lucy Cottrell, Independent Minds**

Yes two questions. Firstly I'd like you to talk a little bit about your CSC competitor. Because you've talked a lot about what you're doing, and also what the reaction of Thomson is if anything.

And the second thing was just looking at what Sandeep produced. I just wonder whether any of your customers, you know because obviously you deal with the law firms, are starting to think well this isn't all good. You know I mean it's a kind of - this is the market rate, this is the high end, the low end, maybe I'm at the high end. So has anyone squeaked, might they squeak, how are you going to handle that?

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

So I'll take the first and then we'll maybe collaborate on the second. So CSC, CSC is a very long standing competitor of ours in the space of Legal Compliance. They operate out of Delaware and they have focused on legal compliance, they have assets in the tax space as well as the brand management space, and they are a number two to us in the legal compliance space. We don't see them that often in the space that we operate in in trademark research. They tend to focus more on the online aspects of that business. And in the tax space they've just entered that space through a recent acquisition that they did. So they're a privately owned company in Delaware with a long history in legal compliance, not unlike our history in that space as well.

In terms of the squeaking on data, so having dealt with this issue for very many years now - my previous role I was the head of information management at American Express for some time and I also led the privacy office for the company, and there was the same types of questions, rightfully so, and sensitivity back then. And the way I explained to the stakeholders back then for that business is I said I can't help having this information, it comes as part of what we do, as part of the transactions that we serve. So not having it is not an option. What to do with it and how to thoughtfully manage it and use it in a very good and right way by our customers is the opportunity, and that's what we do.

And so that's when you'll heard Sandeep talk about the information that we have from TyMetrix, all the information that we use from our analytics we get permission from our customers to use. So there's still some information we have that we don't use because we haven't secured their permission. So we're very careful and considerate to do this in the right way and we think if we do it in the right way more people will want to participate in that ecosystem to get more of the value out of it.

Anything to add on?

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**Sandeep Sacheti, VP Customer Insights & Operational Excellence**

What I'll add is that anytime you create transparency into an environment generally the environment experiences better conversations between the two sides. And yes there is initially queasiness about that transparency because somehow it's thought that having lack of transparency is a better thing for one side or the other, in fact what our experience has been is that both law firms and corporate law departments are using this information for very different purposes and for the betterment of the ecosystem. So let me give you an example. So in the case of corporate law departments what they're utilising this information for is driving efficiency in their own process. They're looking at it and saying why am I having 200 lawyers and 90% of them are being utilised for only

one or two cases? If we consolidate we're able to create efficiency, we're able to gain scale and work with a few lawyers who understand our company and our needs better.

On the other side of the house lawyers, now you think that lawyers all they have is to lose here on this hourly rate if you will, in fact it turns out no, what they are saying in their words we were also quite hesitant like lawyers are not going to like us, what it's turned out to be is that lawyers are coming more often to us and saying we want to use this information to justify our value. Because till yesterday it was more of an opinion, I am going to charge you this. Why? Because I'm a good lawyer. It's an opinion. Now I have benchmarks to say here's why I'm going to charge you higher because look at their market average, look at my services that I'm going above and beyond and I'm able to justify my value back to the corporation. So it creates more transparency and a better level of dialogue in the industry. And we are finding it works on both sides.

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**Sarah Simon, Berenberg**

Just one question really. In terms of the spread of the - you've sort of cut the business into four business areas, are any particular ones particularly more meaningful in terms of the revenue split or are they kind of all equally important?

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

Sure. So they're all of critical size and all are very large, successful businesses. The Legal Compliance space is our oldest, longest standing and biggest space of the four. But all of them are again very credible size if you will.

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**Margo Joris, KBC Securities**

Hi Richard and Sandeep. My first question is on your M&A strategy you have been doing quite some deals in the past. Are you still missing some pieces? And then secondly also on the M&A are you integrating the NRAI business or is there reasons for not integrating it?

And then secondly on the big data story I assume your competitors are doing - developing the same kind of services or how should we look at that? Thank you.

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

So let me take the M&A, Sandeep can do the partnership and big data.

So M&A the acquisition of companies, you know the ones that we've done and the ones that we've done certainly since I've been here have been very purposeful and very important to promoting the ongoing organic growth of the division. And that's really important to me when I think about M&A targets. When you think about what we did in Europe with Edital that was to open up and transform a US centric business to make it a global business, and to bring us to a whole new market that we weren't previously



engaging with. And it's driven not only footprint growth for us but organic growth for us as well.

And NRAI was the same, was a very important acquisition in a marketplace where we had a leadership position, but it helped complement kind of a product launch strategy for us by serving - CT Corporation has the history of serving the very largest corporations, where NRAI had a very strong foothold in the middle market, and then we have our BizFilings business for the entrepreneur, the lower end of the market. So we have a really robust offering now across the cycle of customers if you will, the segment of customers. And so we have largely finished the integration of NRAI into the business, so we have not kept it as standalone, we have integrated it and gotten significant synergies for that as it's a very complementary model. But we've maintained -

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**Margo Joris, KBC Securities**

But still two brand names or ...?

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

Yes so we still have maintained the brand name for serving certain segments, and we have maintained the vitality of the service model. They had quite a strong service model, particularly with the middle market that was so important for us in terms of capabilities. So we really took a best of breed approach when we had this opportunity to bring the two competitors together and we'll continue to do so.

In terms of missing pieces in the portfolio there are so many complementary services we think across these spaces that in some cases we're doing organic builds to take advantage of those opportunities, in other cases we have identified assets that we think could play that nice complementary mix. So I think going forward you'll see both of those sets of activities for us as we kind of complete a broader spectrum of services and look at product adjacencies.

Big data and the competitive take on big data, do you want to address that?

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**Sandeep Sacheti, VP Customer Insights & Operational Excellence**

Yeah absolutely I'll start and Richard can add. You know big data is one of those buzz words that if you're not using it you're missing out. So everybody is using it right. So it's not a surprise that our competition is also going to use some of these points if you will.

What we have seen is that much of that has been talk without really bringing out truly impactful outcomes for our customers. The second thing is because of our business model we actually have certain assets that give us unique advantage in the marketplace, and that certainly is a first mover advantage but really I think it is also a structural advantage for example in our TyMetrix space where we do have such rich and credible information and permission from our customers to use it. That's certainly hard to

replicate for our competitors. But it's one of those areas that we watch very carefully because we want to make sure that we stay ahead of our competition.

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

And Sandeep is being a little bit humble in that he's one of the - I've been doing - I've been in the space of big data for 20 years, so before everybody was talking about it there were folks like us kind of in the corner room actually getting the value out of it in Financial Services, who have been leveraging big data for so long. Sandeep is one of the best that I've worked with in this space. The reason why he came over is because of the sponsorship at the top of the business for it. And that's really what makes the difference on big data. It's not about just hiring the data scientists, it's about putting the data scientists at the business table and creating a culture in your business around fact based decision making. And that's really been the difference of what's kind of created it for us. That tends to be the harder part to do, is changing the culture of the business than just hiring the data scientists and so we've done both and that's the traction that I see - that I think you're seeing us make.

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**Giasone Salati, Espirito Santo**

Two or three questions depending. On big data I thought the definition was north of exabytes and if I got it right you're talking terabytes. Am I missing one of the multiplications? That's the total size of your database? Or am I just being too fastidious?

The second one, I think I'm somehow confused. You mentioned that in Legal Support Services you're entering into competition with law firms to serve directly corporations. I'm confused in the sense I don't understand if you want to bypass the firm and become a direct legal knowledge provider to the corporations or if you're actually servicing in house legal departments?

And lastly I think it was a case with Wolters Kluwer a few years back when customers realised that a lot of their data had so much value. I think it was pharmacists at the time in Asia, that they withdrew the free access to that data to Wolters Kluwer itself at the time with some complications in terms of still being able to sell the same product, or start charging the publisher. What is your assurance that law firms are not going to start doing the same?

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**Sandeep Sacheti, VP Customer Insights & Operational Excellence**

So let me start with terabytes and exabytes. The industry if you again read the technical information, it's gone from gigabytes to terabytes to petabytes to exabytes and I think there's now even a higher term right. And that's where a lot of corporate or rather hardware solution providers get excited. They talk about the richness of the data, the variety, the volume and the velocity of the data that's getting generated. We don't tend to focus on the size. Yes size is important insofar as it communicates to the community that there's a lot there. But what really matters is how we are harnessing

that data to convert it to actionable outcomes for our customer sets. So no we are not technically at exabytes yet, we are not there. That said that benchmark is not the right benchmark from our perspective. What's the right perspective is to look for are we solving the real problems that our legal and compliance officers face every day. And we are able to do it with terabytes right now so we are okay on that front.

On the privacy question, there's two parts to it - let me start on that and Richard will add on his perspective. On the privacy question and the concern that clients may have in terms of the value of this data, that question comes about in two forms. First is that much of our data is public data. And the proprietary nature is generated because of our subject matter expertise, that no client can really individually take on right.

The second aspect which I feel quite compassionate about and rather passionate about is that clients will have their disagreement with you if they are not proportionately sharing in that benefit. If they see the value of that community nature of that data which brings back value to their own operation then they will support you in that all day long. But when the equation becomes one sided that's when customers want to start pulling out. So in this particular case, as we described to you in the legal invoice database, the benefit is back to the community, the ecosystem. Both the law firms are winning in this case, and the corporate law departments are making their operation more efficient based on the insights being driven because of the whole entire database. So we believe that value provision is the justification and what is going to create longevity in this setup.

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

And then specifically on your question about, and I want to thank you for raising it because I didn't want to have any confusion at this point, no we are not getting into the law firm work of legal services and the practice of law, that is not our intention at all. We are a legal services provider.

What I meant to explain in the charts is that there's a line that's shifting between services that only lawyers could provide and now which service providers can provide is shifting and kind of blurring a bit. And what it's allowing is a greater participation of service providers in services that are not deemed to be the practice of law that law firms typically provided along with their practice of law services. And so you're seeing somewhat of a shift in the marketplace of people that can participate in those services.

The example I used in the presentation was on the assignments process in mortgages. In 22 of the 50 states you don't need a lawyer to do that so the customers, the lenders, were saying hey I want to do this myself, I think I can do this myself, I want to get better control over this, can you help me do this. And that's how we wound up developing that service for those sets of customers. So it's very much like it's a developing landscape of those types of opportunities. And what makes it quite frankly fun is being at the table working with customers to understand their kind of workflow and their value chain and seeing where we can have a greater participation and add more value.

**Alex Wisch, Standard & Poor's Capital IQ**

Just a couple of questions on the couple of threats that if could explain a bit more how you feel about these threats. One is expanding on the previous question, is the fact of state authorities also feeling a bit coy about giving - passing on data, passing on access, you charging as opposed to them charging especially with state budgets being very restrained now so whether they're willing to or interested in competing against you or restricting access?

And the second question is about legal liability because you act as a major source of many legal firms, can it be turned against you and how are you protected against you becoming a target in cases of legal liability?



**Richard Flynn, Group President & CEO, Corporate Legal Services**

Sure so on the first the states we look at as very much a critical partner in serving the legal community. And so while states have a - 50 states and they all have kind of their own ways that they approach the issue of dealing direct with customers, there are some states that are very easy to work directly with customers and there are other states that just haven't yet developed those capabilities. And so we look at the states as an indispensable partner in providing the service to the customers. We don't see them as kind of a competitive threat at all. In fact they see us as a critical partner just being an efficient way of doing the work and processing the fees that we're ultimately delivering to them on our customers' behalf.

So you see some activity at the state level of the states wanting to invest more in their capabilities, but it's a tough slog for many of the states and often it's just not a budget item that they can prioritise in terms of building the kind of capabilities that we can. So in most of these situations we have very strong partnerships with the states and we see each other as kind of business partners in the trade if you will.

On the legal liability it's really, to be very clear, we don't do any legal work. We're not in the practice of law. And so what we are is a service provider, providing information services and that's very clear in the value proposition that we're delivering to lawyers at law firms as well as lawyers at corporations. So it's really all about the information services we're providing that then goes into the legal evaluation that our customers perform on behalf of their customers.



**Sander van Oort, Kempen & Co**

Two questions if I may. First question is around the process redesign you mentioned in the presentation on slide 26. I was wondering if this is still part of the Springboard cost savings or one of the initiatives that has been introduced recently and is in a separate new initiative, and whether this will of course double run at cost initially and with only the benefits back end loaded?

And the second question is about your ambition to grow into Europe. I was wondering if there's any margin difference between the US and Europe so which might implicate of course divisional margins going forward?

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

Great, thanks. On the first so no this process efficiency in SOP was not part of Springboard. We have kind of closed out that programme as it were. But we still have a very rich kind of reengineering programme as I like to call it in Corporate Legal Services, and Sandeep in addition to his job as the head of customer insights and which he talked about a lot at the big data, he's also the head of operational excellence. And so we have tasked him to kind of take a look through all of our core processes across the businesses and look for redesign opportunities. This is not easy work or light work, it's very rigorous work, it's very scientific work to actually identify a business process and kind of redesign it and remap it.

So with that said we think that the cost savings, that these become self-funding mechanisms kind of over time as the cost savings greatly offset any investments that's needed to kind of refit the process if you will. And we're certainly seeing that with the process that we showed you today. So the savings that we're getting from that we're looking to deploy against wage inflation and restructuring at the company level, and also to fund our growth agenda.

Your second question?

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**Sander van Oort, Kempen & Co**

Was about geographical mix shift, what's Europe margin?

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

Europe - thank you. No we don't see - it's very comparable margins to our European business to the US counterparts in each of the business sectors where we have a European presence. So that's true in the case of TyMetrix and it's true in the case of Corsearch.

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**Mark Braley, Deutsche Bank**

I wonder if you can just talk us through how much of the business if you like has a paper element to the workflow? So is for example service of process, is that still handing somebody a piece of paper or posting a piece of paper in all 50 states? Lien management, how significant is the need to file physical papers there? And are there moves to move away from that towards e-documentation of some of these things, and if so how much difference would that make to your cost base? Would that enable a lot more off shoring if you went in that direction?

**Richard Flynn, Group President & CEO, Corporate Legal Services**

It's a great question. It's a complicated answer in that we have so many different kind of processes supporting different product lines across different businesses, but let me do the best to kind of give you a generic set of answers of how to think about it.

Take service of process. Service of process by and large the initial starting point in that process is very paper intensive. We literally will have runners coming and dropping off these financial documents at our offices in 50 offices and we still do. But what we have done now is from that point on we have now scanned all that paper and digitised that process and then begin all of our processing work. In some cases we're actually still turning that back into paper after we digitise it because our customers still prefer it that way, but increasingly in a large majority of the cases we're sending that onto them in digital format.

So we're pretty balanced about making sure that we introduce kind of the customer preference in that and that we're not forcing one way on them because it just doesn't work for their workflow or their process or their custom, whatever they're used to. And it varies across the businesses in terms of dealing with the states sometimes can be a very paper intensive business. There's some states that are more sophisticated and others that allow digital filing, and some that do not. So we have to have both modes available. And so in short answer to your question I see the digitisation of the value chain in what we do only continuing and only getting more significant part of the overall mix, and I think over time an opportunity for us to manage our costs better.

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**Mark Braley, Deutsche Bank**

Can you give us a feel for how much the cost base is already off shored?

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

It's not so much that it's off shored. So offshore plays a role for us but if I was thinking about - so I just want to be clear on your question, if I was thinking about digitisation it's a different question for me than offshore. But offshore we rely on our series of partners to support various aspects of the process from technology to processing. It's a small component of the overall cost base.

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**Andrea Beneventi, Kepler Cheuvreux**

A couple of quick follow up questions. One is on M&A, you mentioned acquisitions but not disposals and I've noticed a couple of disposals this year. Best Case and the stake in AccessData they both are digital services, is there good digital and bad digital? Why did you sell these businesses?

And the second one is on market share. You mentioned some competitors on slide 11. Is it fair to assume that you have in this slide all the big companies doing - working on

that business area? Or is that a grey area of smaller competitors and is it a very fragmented market?

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

So let me take the competitors ones first, are you talking about a particular business vertical of ours or just in general of that competitor set?

I mean overall those are our major competitors that scan those business areas, and there are smaller ones in each of the segments but the ones that are on the sheet are represented as the major ones.

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**Andrea Beneventi, Kepler Cheuvreux**

That's a good enough answer.

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

Does that help? Okay. And on the divestments, so we in Corporate Legal Services haven't had divestments. We had AccessData which was a company that was formed after we sold off Summation which was back in 2010, and we took a minority stake in AccessData and certainly just seized a market opportunity to sell that asset and redeploy that capital back into the business. And Best Case was in our L&R division.

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**Meg Geldens, VP, Investor Relations**

That was in the Law and Business unit, that area, and I think they decided they wanted to focus more on a couple of other areas like securities law, intellectual property law and sort of focus the business more. So it was good timing for them, a good time to sell.

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**Andrea Beneventi, Kepler Cheuvreux**

Thank you, that's it from my side.

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**Meg Geldens, VP, Investor Relations**

So it looks like we've exhausted your questions. Any more?

All right well thank you all very much for your questions and for coming. Hopefully you got a very good impression of this business today. And if you have any further questions just let me know. Thanks.

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**Richard Flynn, Group President & CEO, Corporate Legal Services**

Thank you all.

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**Sandeep Sacheti, VP Customer Insights & Operational Excellence**

Thank you.

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END

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