BERNSTEIN RESEARCH

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Occupy Elsevier

Ticker	Rating	CUR	3 Feb 2012 Closing Price	Target Price	TTM Rel. Perf.	EPS 2010A	EPS 2011E	EPS 2012E	P/E 2010A	P/E 2011E	P/E 2012E	Yield
REL.LN	U	GBp	529.50	400.00	6.0%	43.40	45.40	48.10	12.2	11.7	11.0	4.3%
REN.NA	U	EUR	9.10	7.00	4.2%	0.78	0.81	0.85	11.7	11.2	10.7	4.5%
MSDLE15			1084.43			96.65	97.80	105.21	11.2	11.1	10.3	4.5%

O – Outperform, M – Market-Perform, U – Underperform, N – Not Rated

Highlights

We have been increasingly sceptical, over time, about the outlook for Elsevier in light of the budget trends affecting academic libraries. The management of Reed Elsevier appears to have implicitly acknowledged this issue, as it has started to point to the opportunity posed by growth in scientific research funding (rather than academic library funding) as a possible driver of future revenue growth. The call for a boycott of Elsevier, which has started to circulate among academic staff around the world, however, calls into question whether Elsevier is on a collision course with the broader scientific community, in addition to academic librarians.

- **A public place for protest against Elsevier has been set up.** A couple of weeks ago, a web page (http://thecostofknowledge.com/) was set up as a "public place" to allow academic professors who object to Elsevier's business practices to register their decision to stop publishing, refereeing, or performing editorial work (or all of the above) for Elsevier journals. The web page states that the signatories will refuse to deal with Elsevier until it changes its practices in three areas:
  - Pricing for journals that the signatories assert is exorbitantly high
  - The sale of journals in large "bundles"
  - The support of SOPA, PIPA and of the Research Works Act (RWA), all aimed at restricting the free exchange of information.

  The first two issues have been festering for years, and there is nothing new in the opposition of some segments of the academic community to them. The support for RWA seems to be, more than any other factor, the tipping point which has led academics to call the boycott.

- **While overall numbers are still small, the protest is gaining steam.** Since the initial posting, the web page has been signed by about 3,600 academics (as of Friday night). The numbers are tiny when compared to the estimated size of the scientific research community (in 2009, the countries surveyed by the OECD accounted for almost 5.7 million researchers, and even excluding China for over 4.1 million), and the validity of the list may prove – in some cases – questionable (our name was added at some point by someone who is not familiar with the actual name of the company). Nonetheless, if this movement were to gather more momentum, the risk that peer pressure will drive leading academics to defect to other journals (perhaps Open Access, but more likely other high ranked subscription publishers like Springer, Wiley, etc.) could become significant, reducing the attractiveness of Elsevier journals at a time when librarians of many institutions are already under budgetary constraints.

European Media

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- **If this protest gains sufficient momentum, Elsevier's strategy of trying to shift revenues from libraries to the broader research community could be hampered.** In the past, we have argued that – as long as academic libraries were in charge of acquiring knowledge – library budget constraints would lead over time to lower growth. Management largely dismissed the argument, but quietly started talking about the opportunity posed by the growth of science (and science funding), rather than library budgets. This argument was always somewhat dangerous, as one of the reasons why academics and researchers have demanded from librarians access to journals indiscriminately was the relative ignorance of actual costs. This controversy may end up highlighting to researchers and academics everywhere the cost of accessing research and the rigidity of bundle contracts and, ultimately, lead to unwelcome scrutiny the high operating margins of Elsevier.
- **How the other 99% live – why is Elsevier being singled out?** For years investors were told by the senior management of Reed Elsevier how relationships between the business and the academic community were excellent. We have always questioned that, and pointed out repeatedly in the past that there is something unhealthy about an industry in which customers are actively trying to put their suppliers out of business. While other subscription publishers have shown some ability to work with the academic community, Elsevier seems to have done a lot less, and the recent news provide some evidence that not everything is well. It is also not clear whether management can do anything, except withdraw support for the RWA bill, to accommodate the complaints of protesters, underscoring (as we have long argued) that the structural risks posed to be business are largely intractable. There is no way of knowing today the ultimate cost of this controversy for Elsevier, but it only adds to the risk posed to Reed Elsevier investors. We think that investors should in fact ask management how a PR incident of this kind could happen, why the response has been feeble, and what other responses the company may offer (if any) to the protesters.
- **We continue to be pessimistic about the outlook for the stock.** The gap between our bearish stance on underlying growth prospects and sellside consensus seems much narrower than at the time of our downgrade (in Mar-11). Notably, for Elsevier, consensus forecasts at the time suggested the division would return to organic growth in the 4% range by 2012e-13e, before rising to the historic 5-6% range; at present, the gap is almost closed, as consensus expectations are down c. -200bps yoy. Likewise, at the group level, the gap is narrower, though we remain lower on both Elsevier and LexisNexis Legal & Pro in both forecast years. Also, our 2012e and 2013e EPS forecasts (48.1p and 49.2p) are c.-1.5% and c.-5.0% below consensus (48.9p and 51.9p). We reiterate our Underperform rating, with target prices of £4.00/€7.00 for the UK and the Dutch stocks, respectively.

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Investment Conclusion

Reed Elsevier

The key historical driver to Reed Elsevier's performance has been LexisNexis, the legal and risk management division, which in recent years contributed over 40% of operating profit growth. Investors have been increasingly concerned since the beginning of 2009 about the performance of the core US legal research business and of some print businesses within LexisNexis as a result of the poor economy; in addition, 2010 results confirmed that growth of Elsevier (the STM publishing division) had slowed because of pressure on academic budgets. In addition to the cyclical issues outlined earlier, we are increasingly concerned about longer term structural issues in US legal research and about a prolonged decline in funding for academic libraries which could trigger lower spending on STM journals. Our analysis suggests that a progressive break-up of the company could yield a 20 to 30% increase to the value of the company, but we think that management is unlikely to pursue more than minor adjustments to the portfolio (such as continuing the divestiture of RBI's assets and selling the Exhibitions business) in the next year or two. We rate Reed Elsevier Underperform with target prices of £4.00/€7.00 for its UK and Dutch stocks, respectively.

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Details

A public place for protest against Elsevier has been set up

A few weeks ago, a web page (http://thecostofknowledge.com/) was set up as a "public place" to allow academic professors who object to Elsevier's business practices to register their decision to stop publishing, refereeing, or performing editorial work (or all of the above) for Elsevier journals. The web page states that the signatories will refuse to deal with Elsevier until it changes its practices in three areas:

– Pricing for journals that the signatories assert is exorbitantly high

– The sale of journals in large "bundles"

– The support of SOPA, PIPA and the Research Woks Act, all aimed at restricting the free exchange of information.

The first two issues have been festering for years, and there is nothing new in the opposition of some segments of the academic community to them. The support for RWA seems to be, more than any other factor, the tipping point which has led academics to call the boycott.

The movement to collect public pledges started as a follow up to a post by Tim Gowers, a British mathematician who pledged in his blog to boycott Elsevier (please follow this link for the full text of Gowers' post: http://gowers.wordpress.com/2012/01/21/elsevier-my-part-in-its-downfall/). Gowers, in turn, responded to the lobbying of the AAP for legislation like SOPA and – most infuriating for the academic community – the RWA (Research Works Act). RWA was introduced in mid-December by Representative Darrell Issa (R-CA) and co-sponsored by Representative Carolyn Maloney (D-NY). The bill would effectively prohibit Open Access mandates for research funded by the Federal Government and overturn the NIH public dissemination policy[1].

Web blogs have alleged that Issa and Maloney have introduced this legislation because of substantial contributions from Elsevier[2]. Contributions to Maloney by Elsevier directly and by Reed Elsevier employees in the current election cycle (2012) totalled $8,500 (out of contributions totalling $641,048 as of today, according to data available online at http://maplight.org/us-congress/contributions?s=1&politician=349&office_party=House%2CDemocrat%2CRepublican%2CIndependent&election=2012&business_sector=any&business_industry=any&source=All), so it remains to be seen whether this is really sufficient to justify the allegations. Nonetheless, the impression that commercial publishers in general, and Elsevier in particular, are behind the RWA has spread across the academic community. Elsevier's predicament has been compounded by the fact that some publishers which belong to the AAP, including the publishers of *Nature* and *Science,* widely considered the two most prestigious academic journals, have issued press releases indicating they do not support the RWA[3].

[1] For more details on the NIH policy and its effects, please see our 11th March 2010 call ***Reed Elsevier: How the Obama Administration May Affect the Future of Science, Technical & Medical (STM) Publishing***

[2] For example, Michael Eisen, an evolutionary biologist at UC Berkeley http://www.michaeleisen.org/blog/?p=807

[3] Please see http://www.nature.com/press_releases/rwa-statement.html and http://www.aaas.org/news/releases/2012/0118rwa.shtml

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While overall numbers are still small, the protest is gaining steam

Since the initial posting, the web page has been signed by about 3,600 academics (as of Friday night), with several hundred names being added every day. The numbers are tiny when compared to the estimated size of the scientific research community (in 2009, the countries surveyed by the OECD accounted for almost 5.7 million researchers, and even excluding China for over 4.1 million). Moreover, the validity of the list may prove, in some cases, questionable (our name was added at some point by someone without authorization – see the Appendix for more details on this incident). Nonetheless, the boycott seems to gain momentum every day and the ultimate count could well swell far beyond the numbers we are seeing today. Most adherents are in fact active in the academic mathematics community, and there is plenty of risk for other communities to join this movement.

If this protest gains sufficient momentum, Elsevier's strategy of trying to shift revenues from libraries to the broader research community could be hampered

In the past, we have argued that – as long as academic libraries were in charge of acquiring knowledge – library budget constraints would lead to lower growth, and in fact our downgrade to Underperform was largely based on the increasing risk posed by library budgets to Big Deal contracts (for more details, please see our calls ***Reed Elsevier: The Inevitable Crunch Point - Downgrading to Underperform Because of Growing Concerns on Elsevier*** and ***Reed Elsevier: Seven Questions from Investors (And Our Responses)*** dated 10th March 2011 and 17th March 2011 respectively).

The management of Reed Elsevier – over time – has largely dismissed our concerns, but quietly started talking about the opportunity posed by the growth of science (and science funding), rather than library budgets. Much of the time spent by the management of Elsevier in the recent Investor Day in December in London was devoted to discussing trends in science funding and research output (while library budgets received a total of 1 page, in spite of academic libraries probably accounting for close to 50% of total Elsevier revenues). In any case, shifting focus to the broader academic and research community was always dangerous, as one of the reasons why academics and researchers have expected from librarians indiscriminate access to journals was their relative ignorance of actual costs.

We continue to believe that the critical issue is posed by the asymmetrical value of journals to the scientific community: a relatively small number of journals account for the bulk of the readership, while the publishers continue to add articles to a long tail of content with virtually no readership (**Exhibit 1** and **Exhibit 2**). This controversy may end up highlighting to researchers and academics everywhere the cost of accessing research and the rigidity of bundle contracts. Even more unsettling, this controversy will lead to unwelcome scrutiny the high operating margins of Elsevier, particularly at a time when funding in the public sector is under pressure in many countries and librarians are under continued budgetary pressure.

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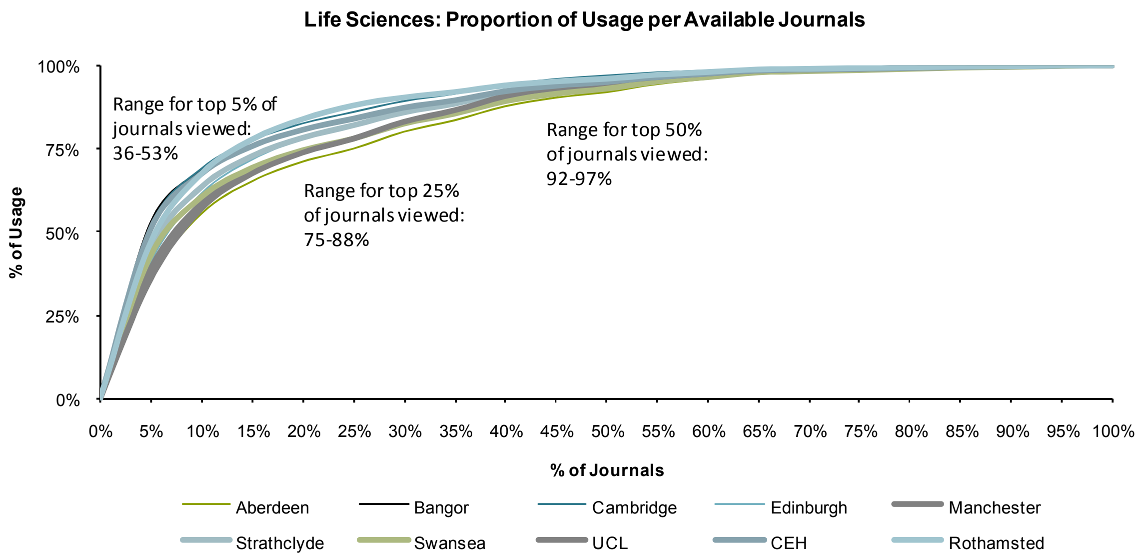
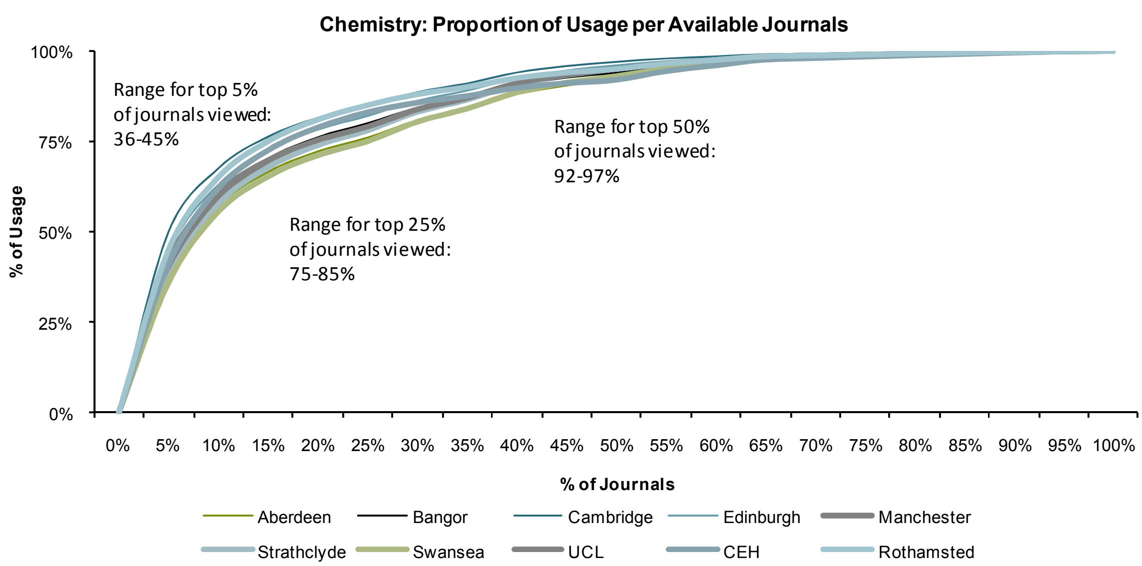
Exhibit 1
A low proportion of Life Science journals account for a high proportion of usage at a diverse range of universities in the UK…



Source: Research Information Network, Bernstein estimates and analysis

Exhibit 2
…it is a near identical story for Chemistry journals



Source: Research Information Network, Bernstein estimates and analysis

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How the other 99% live – why is Elsevier being singled out?

For years investors were told by the senior management of Reed Elsevier how relationships between the business and the academic community were excellent. We have always questioned that, and pointed out repeatedly in the past that there is something unhealthy about an industry in which customers are actively trying to put out of their business their suppliers. While other subscription publishers have shown some ability to work with the academic community, Elsevier seems to have done a lot less, and the recent news provide some evidence that not everything is well. Some of the organizers have pointed out, with great fairness, that other large publishers (Springer, Wiley) ultimately adopt similar business practices. Nonetheless, Elsevier has clearly managed to put itself in the position to draw the most criticism. Moreover, while it is true that academics who defect to Springer or Wiley journals would be supporting essentially the same model, it is still rational for them to do so, since they obviously hope to drive changes in the practices of Elsevier. Should the company introduce any changes to its policies as a result of the boycott, protesters would have accomplished their objective, and could then proceed to pressure the other two major publishers.

The response to the boycott, once it started, was slow. Some of the comments offered to the press by management were self-pitying (which seems to mainly draw scorn from academics, based on some comments we have received) or, while technically correct[4], miss the point of the grievances. For example, it is true that Elsevier (like other subscription publishers) allow the purchase of individual articles and journals and that the second assertion of the petition is therefore wrong. The fundamental grievance of the academic community over the year, however, has been the cost of acquiring content, and the bundles are criticized because of their cost (in addition, revenues from individual downloads are likely to be negligible and revenues from subscriptions to individual journals, according to management statements in the past, account for less than 10% of Elsevier revenues). The issue of costs and margins (as well as the support of RWA) does not seem to be addressed at all in the statements made to the press, and Elsevier, two weeks into the boycott, has made no public statement. Crisis management at Reed Elsevier seems to be somewhat haphazard.

There is no way of knowing today the ultimate cost of this controversy for Elsevier. Management has few practical options, as it can (and should) withdraw support for RWA, but can do little else. Dropping prices, abandoning the subscription model or the bundles would all impact the economics substantially, at least for some years. So the company can only hope that the controversy will die down in time. A reduction in the number of articles submitted or in the number of academics willing to perform peer review would take time to affect the economics of Elsevier. A resignation *en masse* of editorial board memberships, on the other hand, could paralyze journals and possibly put them out of existence, with the twin impact of raising further the alarming news flow and making contract renewal negotiations much more difficult over the next years. If nothing else, if the controversy maintains momentum, press coverage of the issue seems likely to escalate further, which can only further stoke the protest and lead to additional negative news coverage[5]. On the other hand, this boycott could die down, or the authors of the pledges may well choose to continue working with Elsevier.

We think that investors should ask management of Reed Elsevier how a PR incident of this kind could happen (and be allowed to fester), what was the strategy behind it (for example, investors were often told in the past that the NIH mandate was not a threat to the business, which raises the question why support the RWA bill at all), why crisis management has been so tentative and what other steps (if any) management intends to take the handle the protest.

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[4]For example, http://www.guardian.co.uk/science/2012/feb/02/academics-boycott-publisher-elsevier?INTCMP=SRCH and http://chronicle.com/article/As-Journal-Boycott-Grows/130600/

[5] As an example, please see this Forbes article http://www.forbes.com/sites/timworstall/2012/01/28/elseviers-publishing-model-might-be-about-to-go-up-in-smoke/

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We continue to be pessimistic about the outlook for the stock

In Mar-11, at the time of our downgrade of Reed Elsevier to Underperform, our organic growth forecasts for the company were below consensus expectations. Notably, for Elsevier, consensus forecasts suggested Elsevier would return to organic growth in the 4% range by 2012-13, before rising to the historic 5-6% range (**Exhibit 4**). At present, the gap is almost closed, as consensus expectations are down c. -200bps vs. one year ago, for both outer years (**Exhibit 5**).

At the group level, the gap between SCBe and consensus is also quite narrow this time around, with sell-side consensus figures closer to our bearish stance. Average underlying progression in the next two years (12e-13e) is at +2% for both (although SCB is c.+100bps above in 12e and c.-100bps below for 13e).We remain below consensus in both years for the key Elsevier and LexisNexis Legal units (**Exhibit 3**).

For 2012e and 2013e, our EPS forecasts (48.1p and 49.2p) are c.-1.5% and c.-5.0% below consensus (48.9p and 51.9p), respectively; while Elsevier is part of the driver of our lower forecast, we are also bearish on LexisNexis.

For Elsevier, our scepticism is based on the expectation that academic libraries will increasingly push back and request lower price increases than in the past, threatening to abandon "Big Deal" contracts if the company does not lower its expectations for revenue growth.

We reiterate our Underperform rating, with target prices of £4.00/€7.00 for the UK and the Dutch stocks, respectively.

Exhibit 3

The gap between SCB's bearish stance on REL's underlying growth prospects and sellside consensus seems narrower this time round, though we remain lower on both Elsevier and LN Legal & Pro

	2012e		2013e	
Division	**SCBe**	**Cons.**	**SCBe**	**Cons.**
Elsevier	1.6%	2.0%	1.7%	2.0%
LexisNexis Risk	6.0%	2.9%	6.1%	4.0%
LexisNexis Legal & Pro	0.1%	1.0%	0.4%	2.0%
Exhibitions	13.0%	12.0%	(7.0%)	(3.0%)
RBI	3.0%	(1.0%)	3.0%	1.0%
Group	**3.3%**	**2.0%**	**1.1%**	**2.0%**

Source: SCB Interviews, Bernstein analysis

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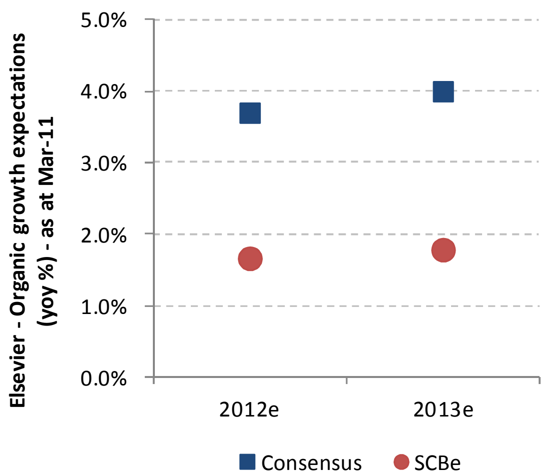
Exhibit 4

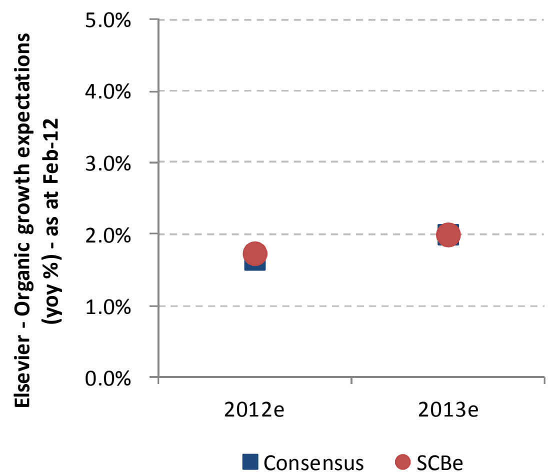
In Mar-11, at the time of our downgrade, our organic growth forecasts for Elsevier were notably below consensus expectations, which suggested a return to the 4% range by 2012e-13e…



Source: SCB Interviews, Bernstein analysis

Exhibit 5

… at present, the gap in organic growth forecasts for the division is almost closed, as consensus expectations are down c. -200bps vs. one year ago



Source: SCB Interviews, Bernstein analysis

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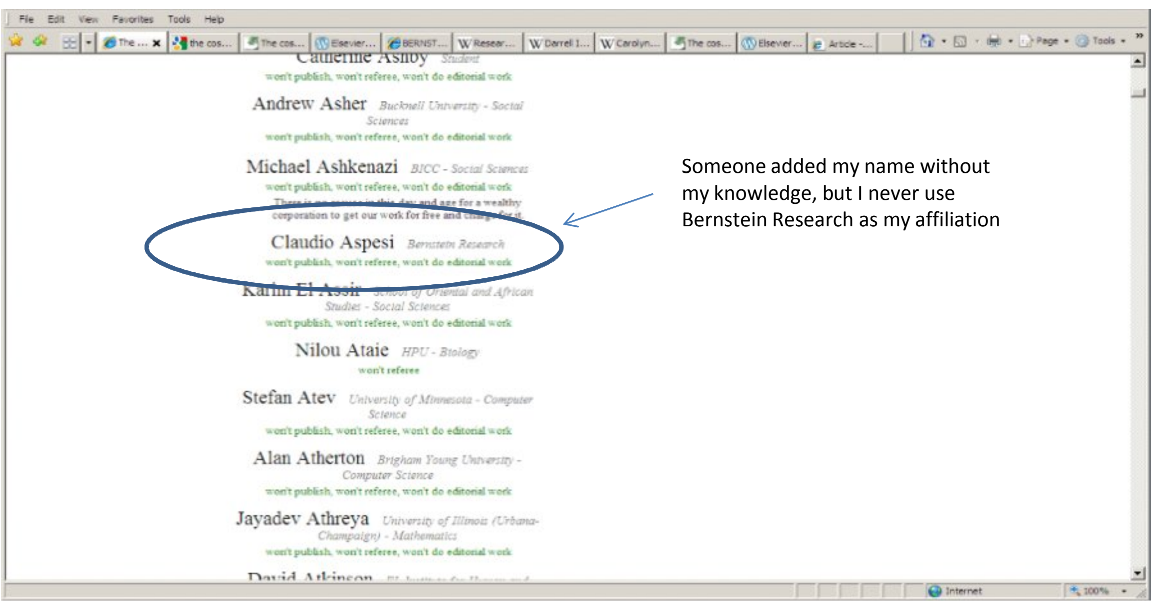
Appendix 1 – The curious case of the signature in the night-time

While preparing this call we scrutinized the list of signatures and discovered, to our great surprise, that our name was there (**Exhibit 6**). It must have been added by someone who is not familiar with the actual name of the company (we use Bernstein Research in our logo, but all registrations are for Sanford C. Bernstein). We also checked whether the names of people we knew for sure had visited the pledge site appeared on the list (in case some virus pulled names and affiliations automatically from other programs) but did not find any of them. Our pledge would not really matter anyway to anybody, in the absence of any academic affiliation, but somebody thought it would be nice to be able to show we were associated with the boycott.

Regardless of the reasons of the perpetrator, this "prank" raises the question whether the early signatories of these pledges are all genuine, and aware of the use of their name. The name was promptly removed from the list at our request. The organizer of the web page indicated that the list was planning to verify the institutional email address (which has to be indicated at the time of the signature) to prevent people from signing up on behalf of others, but the verification process is not up and running yet. Going forward, this should allay any concerns over the validity of pledges.

Exhibit 6

Our name was added without our knowledge, but the affiliation (Bernstein Research) is not what we use to sign/enrol in any programs



Source: Screenshot of the Cost of Knowledge – 2nd February 2012

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Appendix 2 – Financial Statements

Exhibit 7

Reed Elsevier – Summary Income Statement

£ million	2010A	2011E	2012E	2013E	2014E	2010-14 CAGR
Revenues	6,055	5,947	6,131	6,201	6,432	1.5%
Operating costs (before goodwill and except.)	-4,508	-4,400	-4,516	-4,554	-4,702	1.1%
Corporate costs	-34	-35	-37	-40	-42	5.5%
Unallocated pension credit	26	20	20	20	20	-6.3%
Total adjusted operating profit	1,555	1,562	1,633	1,667	1,751	3.0%
Adjusted operating margin	26%	26%	27%	27%	27%	
Net interest	-276	-232	-237	-254	-254	-2.1%
Adjusted profit before tax	1,279	1,331	1,396	1,413	1,497	4.0%
Taxation paid	-290	-306	-321	-325	-344	4.4%
Adjusted net income (total operations)	983	1,019	1,068	1,082	1,146	3.9%
Adjusted net income (continuing operations)	983	1,019	1,068	1,082	1,146	3.9%
Adjusted EPS (basic)						
PLC (£)	0.434	0.454	0.481	0.49	0.53	4.9%
NV (€)	0.78	0.81	0.85	0.87	0.93	4.6%

£ million	2010A	2011E	2012E	2013E	2014E	2010-14 CAGR
Revenue	**£6,055**	**£5,947**	**£6,131**	**£6,201**	**£6,432**	**1.5%**
o/w Elsevier	£2,026	£2,036	£2,069	£2,105	£2,144	1.4%
o/w LexisNexis	£2,618	£2,579	£2,636	£2,703	£2,775	1.5%
o/w Reed Business	£1,411	£1,332	£1,426	£1,393	£1,512	1.8%
o/w Exhibitions	£693	£671	£758	£705	£797	3.6%
o/w Reed Business Information	£718	£661	£668	£688	£716	-0.1%
Adjusted Operating Profit (divisions only)	**£1,563**	**£1,578**	**£1,650**	**£1,687**	**£1,774**	**3.2%**
o/w Elsevier	£724	£738	£756	£773	£792	2.3%
o/w LexisNexis	£592	£583	£596	£625	£655	2.6%
o/w Reed Business	£247	£257	£298	£289	£326	7.2%
o/w Exhibitions	£158	£153	£180	£161	£190	4.7%
o/w Reed Business Information	£89	£104	£118	£128	£137	11.3%
Adjusted Operating Profit margin	**26%**	**27%**	**27%**	**27%**	**28%**	
o/w Elsevier	35.7%	36.2%	36.5%	36.7%	36.9%	
o/w LexisNexis	22.6%	22.6%	22.6%	23.1%	23.6%	
o/w Reed Business	17.5%	19.3%	20.9%	20.7%	21.6%	
o/w Exhibitions	22.8%	22.8%	23.8%	22.8%	23.8%	
o/w Reed Business Information	12.4%	15.7%	17.6%	18.6%	19.1%	
Organic Revenue Growth	**1.6%**	**1.7%**	**3.3%**	**1.1%**	**3.7%**	
o/w Elsevier	2.0%	2.5%	1.6%	1.7%	1.9%	
o/w LexisNexis	1.0%	2.2%	2.2%	2.5%	2.7%	
o/w Reed Business	2.2%	-0.4%	8.0%	-2.3%	8.6%	
o/w Exhibitions	8.0%	-4.0%	13.0%	-7.0%	13.0%	
o/w Reed Business Information	-2.0%	3.0%	3.0%	3.0%	4.0%	

Source: Company reports, Bernstein estimates and analysis

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Disclosure Appendix

Valuation Methodology

For Professional Publishers, such as Reed Elsevier, we base our target price on a price to earnings methodology. In order to calculate our target prices, we look at each company's current relative multiple (company price to earnings ratio (P/E) relative to MSCI Europe P/E) and then apply a target relative multiple given each company's future EPS growth prospects to 2013 (**Exhibit 8**). We believe that the period between 2010 and 2013 represents a valid timeframe to assess the EPS growth prospects to 2013.

Exhibit 8
Valuation Methodology – Reed Elsevier

Company	Rating	Currency	Market Cap	3-Feb-12 Price	EPS CAGR 2010-13E	2011E EPS	2011E P/E	Relative P/E Multiple	Target Relative P/E Multiple	Target Price	% Upside Downside
Reed Elsevier PLC	U	GBP	£6,338	529.5p	4.3%	45.4p	11.7x	105%	90%	400p	-24%
Reed Elsevier NV	U	EUR	€ 6,652	€ 9.10	3.9%	€ 0.81	11.3x	102%	90%	€ 7.00	-23%
MSCI Europe					**10-12%**		**11.1x**				
S&P 500					**10-12%**		**13.6x**				

Source: Bloomberg, Company reports, Bernstein analysis and estimates

Risks

Reed Elsevier

The key risk to our thesis and 12 month target prices for Reed Elsevier derives primarily from the impact of the economic cycle and from M&A activity. While most of the revenues should be relatively stable irrespective of changes in economic activity, some segments (and in particular business to business advertising and exhibitions) are more sensitive than others, as none of them is fully insulated from a deep and lasting slow down of economic activity and, conversely, a faster than expected improvement of the economic cycle could drive an acceleration of earnings growth.

We are assuming that – in the next 12 months – management will continue to try "fixing" the structural issues we have identified, rather than selling assets. A divestiture of significant parts of the portfolio (the exhibition business or LexisNexis Legal & Professional) would probably trigger a re-rating of the stock. While market shares are relatively stable, fluctuations deriving from failure to win individual contracts or clients can negatively or positively affect the revenues of some divisions for a few years, since many contracts are typically multi-year and switching costs are high.

In addition to the risks mentioned above, Reed Elsevier is highly exposed to currency fluctuations: approximately 55% of its revenue is denominated in US dollars. A 1% change in the US Dollar causes around a 0.6% change in EPS. Any major devaluation of the sterling and/or the Euro relative to the US dollar would have a direct positive effect both on EPS and on the value of assets located in the United States.

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  Outperform: Stock will outpace the market index by more than 15 pp in the year ahead.

  Market-Perform: Stock will perform in line with the market index to within +/-15 pp in the year ahead.

  Underperform: Stock will trail the performance of the market index by more than 15 pp in the year ahead.

  Not Rated: The stock Rating, Target Price and estimates (if any) have been suspended temporarily.
- As of 02/02/2012, Bernstein's ratings were distributed as follows: Outperform - 43.5% (1.0% banking clients) ; Market-Perform - 47.1% (0.9% banking clients); Underperform - 9.3% (0.0% banking clients); Not Rated - 0.0% (0.0% banking clients). The numbers in parentheses represent the percentage of companies in each category to whom Bernstein provided investment banking services within the last twelve (12) months.

12-Month Rating History as of 02/05/2012

Ticker	Rating Changes	
REL.LN	U (RC) 03/10/11	M (RC) 05/07/10
REN.NA	U (RC) 03/10/11	M (RC) 05/07/10

Rating Guide: O - Outperform, M - Market-Perform, U - Underperform, N - Not Rated
Rating Actions: IC - Initiated Coverage, DC - Dropped Coverage, RC - Rating Change

REL.LN / Reed Elsevier PLC

Date	Rating	Target(GBp)
12/11/08	O	625.00
04/29/09	O	650.00
07/08/09	O	625.00
07/31/09	O	500.00
05/07/10	M	500.00
03/10/11	U	450.00
09/14/11	U	400.00

REN.NA / Reed Elsevier NV

Date	Rating	Target(EUR)
12/11/08	O	11.00
04/29/09	O	11.50
07/31/09	O	9.00
05/07/10	M	9.00
03/10/11	U	8.00
09/14/11	U	7.00

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