Wolters Kluwer

Wolters Kluwer 2023 Nine-Month Trading Update

Alphen aan den Rijn, November 1, 2023 – Wolters Kluwer, a global leader in professional information, software solutions and services, today releases its scheduled 2023 nine-month trading update.

Highlights

- **Guidance for 2023 reiterated.**
- **Nine-month revenues up 4% in constant currencies and up 5% organically.**
  - Recurring revenues (82% of total revenues) up 7% organically; non-recurring revenues down 2%.
  - Digital & services revenues (94% of total) up 6% organically; print down 7%.
  - *Expert solutions* revenues (58% of total) up 7% organically.
- **Nine-month adjusted operating profit down 2% in constant currencies.**
  - Adjusted operating profit margin 26.1%, down 150 basis points, as expected.
  - We continue to expect an increase in the full-year 2023 adjusted operating profit margin.
- **Nine-month adjusted free cash flow down 13% in constant currencies.**
  - Unfavorable timing of working capital movements and higher capital expenditures.
- **Net-debt-to-EBITDA ratio 1.6x as of September 30, 2023.**
- **Share buyback 2023: on track to reach €1 billion by year-end.**
- **Share buyback 2024: mandate signed to repurchase up to €100 million in January and February 2024.**

Nancy McKinstry, CEO and Chair of the Executive Board, commented: *"In the first nine months, we have sustained strong organic growth in our important recurring revenue streams across all five divisions. The down-cycle in transactional revenues has lasted longer than we expected, but we are nonetheless on track to deliver good organic growth and margin improvement for the full year. Investments in product development, including in artificial intelligence, were maintained at high levels as we continue to see exciting opportunities to grow our business and support our professional customers in the years ahead."*

Nine Months to September 30, 2023

Total revenues were up 2% overall reflecting the impact of the weaker U.S. dollar, particularly in the third quarter of 2023. Excluding the effect of currency, acquisitions, and divestments, organic revenues were up 5% in the first nine months (9M 2022: 6%). Recurring revenues (82% of total revenues) sustained strong momentum, growing 7% organically which was in line with 2022 and in line with the first half of 2023 (9M 2022: 7%; HY 2023: 7%). Within recurring revenues, cloud software subscription revenues grew 15% organically (9M 2022: 18%).

Non-recurring revenues (18% of total revenues) declined 2% organically (9M 2022: growth of 4%). These revenues include transactional fees in our Financial & Corporate Compliance division, software license and implementation fees in our software businesses, and other non-subscription products and services.

Viewed by format, digital revenues (85% of total) grew 7% organically (9M 2022: 8% growth). Services revenues (9% of total) increased 1% organically (9M 2022: 5% growth), deteriorating slightly in the third quarter due to the transactional trends in Financial & Corporate Compliance. Print revenues (6% of total) declined 7% organically (9M 2022: 4% decline), as expected.

Revenues from North America (65% of total) grew 4% organically (9M 2022: 6%), with stronger momentum in Health dampened by slower growth in the other divisions. Revenues from Europe (27% of total) grew 7% (9M 2022: 5%). Revenues from Asia Pacific & Rest of World (8% of total) grew 8% organically (9M 2022: 15%).

Nine-month adjusted operating profit declined 2% in constant currencies. The nine-month adjusted operating profit margin was 26.1%, down 150 basis points compared to the same period in 2022, as expected. The margin primarily reflects a 6% increase in total personnel costs (as we filled open positions) combined with an increase in personnel-related expenses, such as travel. Product development spend was maintained at 11% of revenues, an increase from the comparable period (9M 2022: 10% of revenues).

Health: Nine-month revenues increased 6% in constant currencies and 6% organically (9M 2022: 5%). Clinical Solutions recorded 7% organic growth (9M 2022: 8%), supported by continued good renewals for UpToDate, drug information solutions, and our Emmi patient engagement solution. Revenues in surveillance, compliance, and terminology solutions remained soft. Health Learning, Research & Practice recorded 4% organic growth (9M 2022: 2%), benefitting from good subscription renewals for the Ovid medical research solution, strong growth in open access journal content, and the addition of the *New England Journal of Medicine* (NEJM) digital distribution contract. As expected, journal print subscriptions, advertising and reprints declined, as did print book revenues. The integrations of Nurse Tim and Invistics, acquired this year, are proceeding to plan.

Tax & Accounting: Nine-month revenues increased 8% in constant currencies and 8% organically (pro forma 9M 2022: 9%), including a better-than-expected third quarter in Europe. The North American business recorded 8% organic growth (9M 2022: 11%), driven by continued strong performance of our cloud-based software suite, CCH Axcess. Outsourced professional services grew well organically, but more moderately than in the prior year. Tax & Accounting Europe recorded 7% organic growth with good growth across all countries. Asia Pacific & Rest of World grew 7% organically, with double-digit organic growth in China.

Financial & Corporate Compliance: Nine-month revenues increased 1% in constant currencies and 1% organically (pro forma 9M 2022: 5%). Recurring revenues increased 5% organically (pro forma 9M 2022: 8%), while non-recurring revenues declined 7% (pro forma 9M 2022: 0%) continuing the trend seen in the first half. Legal Services grew 1% organically (pro forma 9M 2022: 4%), with robust growth in recurring revenues largely offset by a 9% decline in Legal Services transactional fees (pro forma 9M 2022: 2% decline) amidst the ongoing downturn in M&A and IPO activity. Financial Services revenues were flat on an organic basis (pro forma 9M 2022: 6% growth), as good growth in recurring revenues was erased by a 6% decline in transactional revenues (pro forma 9M 2022: 2% growth) reflecting the downturn in lending volumes.

Legal & Regulatory: Nine-month revenues declined 5% in constant currencies (mainly due to the disposal of the French and Spanish legal publishing assets on November 30, 2022) but grew 4% on an organic basis (pro forma 9M 2022: 4%). Legal & Regulatory Information Solutions grew 4% organically, as 8% organic growth for our digital information solutions more than offset print decline. Legal & Regulatory Software revenues grew 5% organically, with robust growth in subscriptions and transactional fees (ELM) partly offset by lower implementation services revenues.

Corporate Performance & ESG: Nine-month revenues increased 8% in constant currencies. On an organic basis, revenues increased by 8% (pro forma 9M 2022: 11%), with recurring revenues up 12% but non-recurring software licenses and professional services revenues stable. Our EHS/ORM[1] solutions (Enablon) delivered 15% organic growth (9M 2022: 24%). The CCH Tagetik corporate performance suite delivered 14% organic growth (9M 2022: 14%), benefitting from demand for the ESG reporting and global minimum tax reporting modules. Finance, Risk & Reporting saw nine-month organic revenues decline in line with the first half due to the conclusion of two implementations and the exit from Russia and Belarus.

Corporate costs increased 14% in constant currencies and on an organic basis in the first nine months, due to higher personnel costs and personnel-related expenses coupled with higher spending on various projects.

Cash Flow and Net Debt

Nine-month adjusted operating cash flow declined 11% in constant currencies, reflecting unfavorable timing of working capital movements as well as increased capital expenditures related to product development. As a result, nine-month adjusted free cash flow decreased 13% in constant currencies.

Cash flow used for dividends amounted to €440 million in the first nine months. Total acquisition spending, net of cash acquired and including transaction costs, was €60 million in the first nine months, primarily relating to the acquisition of Nurse Tim in January 2023 and Invistics in June 2023. In the first nine months, €693 million of cash flow was deployed towards the 2023 share repurchase program.

As of September 30, 2023, net debt stood at €2,684 million (compared to €2,253 million at year-end 2022). Twelve months' rolling net-debt-to-EBITDA was 1.6x (compared to 1.3x at year-end 2022).

[1] EHS/ORM = environmental, health & safety and operational risk management.

Sustainability Update

Throughout 2023, we have continued to invest in programs designed to attract, engage, retain, and develop talent globally. Our employee turnover rate has improved despite global competition for technology skills and other talent. Our annual compliance training program was rolled out in September to all employees. As of the end of October, 99% of employees globally have completed the training program.

As reported previously, in early 2023, we submitted near-term emissions reduction targets to the Science-Based Targets initiative (SBTi) for validation. We also committed to reduce our emissions in line with a pathway to limit global warming to 1.5°C and reaching net-zero by no later than 2050.

Our real estate rationalization program remains an important effort to reduce our Scope 1 and 2 greenhouse gas emissions. Through the first nine months of 2023, this program achieved a 3% organic reduction in our global office footprint (m2) compared to year-end 2022. Meanwhile, our cloud migration and on-premise server decommissioning program made significant progress in September and October with over 1,000 servers eliminated year to date.

In preparation for compliance with the EU Corporate Sustainability Reporting Directive and European Sustainability Reporting Standards (ESRS), which become mandatory as of financial year 2024, we have carried out an initial double materiality assessment based on the ESRS.

Share Cancellation 2023

On August 31, 2023, we cancelled 9.0 million shares that were held in treasury, as approved by shareholders at the AGM in May 2023. Following this cancellation, the number of issued ordinary shares is 248,516,153. As of September 30, 2023, 242.9 million shares were outstanding and 5.6 million shares were held in treasury.

Share Buyback Program 2023 and 2024

In February 2023, we announced a 2023 share buyback program of up to €1 billion. In the year to date, through October 30, 2023, we have completed approximately 80% of this buyback, having repurchased €803 million in shares (7.2 million shares at an average price of €111.96). A third-party mandate is in place to complete the final tranche of €197 million in the period starting November 2, 2023, up to and including December 27, 2023.

For the upcoming year 2024, we have this week signed a third-party mandate to execute up to €100 million in share buybacks for the period starting January 2, 2024, up to and including February 19, 2024.

We continue to believe this level of share buybacks leaves us with ample headroom to support our dividend plans, to sustain organic investment, and to make selective acquisitions. The share repurchases may be suspended, discontinued, or modified at any time.

Third party mandates are governed by the limits of relevant laws and regulations (in particular Regulation (EU) 596/2014) and Wolters Kluwer's Articles of Association. Repurchased shares are added to and held as treasury shares and are either cancelled or held to meet future obligations arising from share-based incentive plans. We remain committed to our anti-dilution policy which aims to offset the dilution caused by our annual incentive share issuance with share repurchases.

Full-Year 2023 Outlook

We reiterate our guidance for 2023 as shown in the table below. We expect organic growth to pick up slightly in the fourth quarter and we expect the adjusted operating margin to improve year-on-year in the fourth quarter, resulting in a margin increase for the full year. Adjusted free cash flow in constant currencies is expected to increase in the fourth quarter.

Full-Year 2023 Outlook

Performance indicators	2023 Guidance	2022 Actual
Adjusted operating profit margin*	26.1%-26.5%	26.1%
Adjusted free cash flow**	Around €1,200 million	€1,220 million
ROIC*	16.5%-17.0%	15.5%
Diluted adjusted EPS growth**	High-single-digit	8%

*Guidance for adjusted operating profit margin and ROIC is in reporting currency and assumes an average EUR/USD rate in 2023 of €/$1.08. **Guidance for adjusted free cash flow and diluted adjusted EPS is in constant currencies (€/$ 1.05). Guidance reflects share repurchases of €1 billion in 2023.

If the current U.S. dollar rate persists, currency will have a slightly negative effect on full-year 2023 results reported in euros. In 2022, Wolters Kluwer generated over 60% of its revenues and adjusted operating profit in North America. As a rule of thumb, based on our 2022 currency profile, each 1 U.S. cent move in the average €/$ exchange rate for the year causes an opposite change of approximately 3 euro cents in diluted adjusted EPS[2].

We include restructuring costs in adjusted operating profit. We continue to expect 2023 restructuring costs to be in the range of €10-€15 million (FY 2022: €6 million). We now expect adjusted net financing costs[3] in constant currencies to be €30-€35 million (previous guidance: €40 million). We expect the benchmark tax rate on adjusted pre-tax profits to be in the range of 23.0%-24.0% (FY 2022: 22.6%). Capital expenditure is expected to be at the upper end of our normal guidance range of 5.0%-6.0% of total revenues (FY 2022: 5.4%). We continue to expect the full-year 2023 cash conversion ratio to reduce to approximately 100% (FY 2022: 107%).

Our guidance assumes no additional significant change to the scope of operations. We may make further acquisitions or disposals which can be dilutive to margins, earnings, and ROIC in the near term.

2023 outlook by division (new five-division structure)

Health: we now expect organic growth to be in line with or slightly better than in the prior year (FY 2022: 5%); we continue to expect the full-year adjusted operating profit margin to be stable (FY 2022: 29.9%).

Tax & Accounting: we continue to expect organic growth to be lower than in the prior year (pro forma FY 2022: 8%) and the adjusted operating profit margin to decline slightly compared to prior year (pro forma FY 2022: 32.6%).

Financial & Corporate Compliance: we now expect full-year organic growth to be slower than in the prior year (pro forma FY 2022: 4%), even as transactional trends improve in the fourth quarter; we continue to expect the full-year adjusted operating profit margin to improve slightly (pro forma FY 2022: 36.7%).

Legal & Regulatory: we continue to expect organic growth to be in line with prior year (pro forma FY 2022: 4%) and the adjusted operating profit margin to increase for the full year (pro forma FY 2022: 14.5%).

Corporate Performance & ESG: we now expect organic growth to be in line with or to improve slightly from the prior year (pro forma FY 2022: 12%) and the adjusted operating profit margin to increase slightly for the full year (pro forma FY 2022: 12.4%).

[2] This rule of thumb excludes the impact of exchange rate movements on intercompany balances, which is accounted for in adjusted net financing costs in reported currencies and determined based on period-end spot rates and balances.
[3] Adjusted net financing costs include lease interest charges. Guidance for adjusted net financing costs in constant currencies excludes the impact of exchange rate movements on currency hedging and intercompany balances.

Appendix 1a Divisional Organic Growth Rates – New Reporting Structure

	9M 2023	Pro forma 9M 2022
Health	6%	5%
Tax & Accounting	8%	9%
Financial & Corporate Compliance	1%	5%
Legal & Regulatory	4%	4%
Corporate Performance & ESG	8%	11%
Total Wolters Kluwer	**5%**	**6%**

In March 2023, a new division – Corporate Performance & ESG – was created by bringing together four of our existing global enterprise software businesses: CCH Tagetik and TeamMate (formerly in Tax & Accounting), EHS/ORM (formerly part of Legal & Regulatory, and FRR (formerly part of Governance, Risk & Compliance). Governance, Risk & Compliance was renamed Financial & Corporate Compliance and the Enterprise Legal Management business (ELM) was transferred to Legal & Regulatory. The Health division was not affected by this organizational change.

Appendix 1b Divisional Organic Growth Rates – Former Reporting Structure

	Pro Forma 9M 2023	9M 2022
Health	6%	5%
Tax & Accounting	8%	9%
Governance, Risk & Compliance	0%	5%
Legal & Regulatory	6%	5%
Total Wolters Kluwer	**5%**	**6%**

About Wolters Kluwer

Wolters Kluwer (EURONEXT: WKL) is a global leader in information, software solutions and services for professionals in healthcare; tax and accounting; financial and corporate compliance; legal and regulatory; corporate performance and ESG. We help our customers make critical decisions every day by providing *expert solutions* that combine deep domain knowledge with technology and services.

Wolters Kluwer reported 2022 annual revenues of €5.5 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 20,900 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands.

Wolters Kluwer shares are listed on Euronext Amsterdam (WKL) and are included in the AEX and Euronext 100 indices. Wolters Kluwer has a sponsored Level 1 American Depositary Receipt (ADR) program. The ADRs are traded on the over-the-counter market in the U.S. (WTKWY).

For more information, visit www.wolterskluwer.com, follow us on Twitter, Facebook, LinkedIn, and YouTube.

Financial Calendar

February 21, 2024	Full-Year 2023 Results
March 6, 2024	Publication of 2023 Annual Report
May 1, 2024	First-Quarter 2024 Trading Update
May 8, 2024	Annual General Meeting of Shareholders
May 10, 2024	Ex-dividend date: 2023 final dividend
May 13, 2024	Record date: 2023 final dividend
June 4, 2024	Payment date: 2023 final dividend ordinary shares
June 11, 2024	Payment date: 2023 final dividend ADRs
July 31, 2024	Half-Year 2024 Results
August 27, 2024	Ex-dividend date: 2024 interim dividend
August 28, 2024	Record date: 2024 interim dividend
September 19, 2024	Payment date: 2024 interim dividend
September 26, 2024	Payment date: 2024 interim dividend ADRs
October 30, 2024	Nine-Month 2024 Trading Update

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Forward-looking Statements and Other Important Legal Information

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