Wolters Kluwer

Wolters Kluwer 2024 Nine-Month Trading Update

Alphen aan den Rijn, October 30, 2024 – Wolters Kluwer, a global leader in professional information, software solutions and services, today releases its scheduled 2024 nine-month trading update.

Highlights

- **Full-year 2024 guidance reiterated.**
- **Nine-month revenues up 6% in constant currencies and up 6% organically.**
  - Recurring revenues (83% of total revenues) up 7% organically; non-recurring revenues up 2%.
  - *Expert solutions* revenues (59% of total revenues) grew 8% organically.
  - Cloud software revenues (18% of total revenues) grew 16% organically.
- **Nine-month adjusted operating profit up 8% in constant currencies.**
  - Nine-month adjusted operating profit margin increased.
- **Nine-month adjusted free cash flow up 9% in constant currencies.**
  - Third quarter benefitted from favorable timing of vendor payments.
- **Net-debt-to-EBITDA ratio 1.8x as of September 30, 2024.**
- **Share buyback 2024: on track to reach €1 billion by year-end.**
- **Share buyback 2025: mandate signed to repurchase up to €100 million in January and February 2025.**

Nancy McKinstry, CEO and Chair of the Executive Board, commented: *"I am pleased to report 6% organic growth through the first nine months, supported by continued growth in recurring revenues, led by our expert solutions including cloud-based software platforms. Investments in product innovation remained at record levels as we continue to pursue opportunities to support our customers in their drive for improved performance, outcomes, and efficiencies. We are on track to meet our full-year guidance."*

Nine Months to September 30, 2024

Total revenues were up 6% in the first nine months of 2024, despite a slightly weaker U.S. dollar in the third quarter. Excluding the effect of currency, acquisitions, and divestments, organic growth was 6% in the first nine months (9M 2023: 5%).

Recurring revenues (83% of total revenues) sustained 7% organic growth (9M 2023: 7%; HY 2024: 7%). Within recurring revenues, cloud software revenues grew 16% organically (9M 2023: 15%). Non-recurring revenues (17% of total revenues) increased 2% organically (9M 2023: 2% decline), benefitting from the improved trend in Legal Services transactional fees in the Financial & Corporate Compliance division compared to last year. Apart from transactional fees, non-recurring revenues include print books, on-premise software licenses, software implementation services, and other non-subscription products and services.

Revenues from North America (64% of total) grew 6% organically (9M 2023: 4%) while revenues from Europe (28% of total) grew 5% (9M 2023: 7%). Asia Pacific & ROW (8% of total) grew 7% organically (9M 2023: 8%).

Nine-month adjusted operating profit increased 8% in constant currencies. The nine-month adjusted operating profit margin improved, mainly driven by our Financial & Corporate Compliance and Legal & Regulatory divisions. Restructuring expenses, which are included in adjusted operating profit, increased. Product development spend (CAPEX + OPEX) was maintained at 11% of revenues (9M 2023: 11% of revenues).

Health: Nine-month revenues increased 6% in constant currencies and 6% organically (9M 2023: 6%). Clinical Solutions recorded 8% organic growth (9M 2023: 7%), led by clinical decision tool UpToDate and our clinical drug databases (Medi-Span and UpToDate Lexidrug). The UpToDate patient engagement solution delivered good growth. Surveillance, compliance, and terminology software saw improved organic growth, mainly reflecting the Invistics drug diversion business acquired in June 2023. Health Learning, Research & Practice recorded 3% organic growth (9M 2023: 4%), with good organic growth in medical research against a challenging comparable alongside improved growth in education and practice. In September 2024, we completed the previously announced divestment of Learner's Digest International (LDI).

Tax & Accounting: Nine-month revenues increased 5% in constant currencies, reflecting the transfer of our Chinese legal research solution (BOLD) from Tax & Accounting to Legal & Regulatory at the start of the year. On an organic basis, revenues grew 7% (9M 2023: 8%). The North American business recorded 7% organic growth (9M 2023: 8%), driven by double-digit organic growth in our cloud-based software suite, CCH Axcess. While outsourced professional services continued to see strong growth, print books and other non-recurring revenues recorded slower growth. Tax & Accounting Europe sustained 7% organic growth (9M 2023: 7%) and began integrating the cloud software business acquired in September from the Isabel Group. Tax & Accounting Asia Pacific & ROW organic revenues were stable.

Financial & Corporate Compliance: Nine-month revenues increased 5% in constant currencies. On an organic basis, revenues rose 5% (9M 2023: 1%), with recurring revenues up 6% organically (9M 2023: 5%) and non-recurring transactional revenues up 3% (9M 2023: 7% decline). Legal Services grew 7% organically (9M 2023: 1%), supported by services subscriptions and 6% growth in Legal Services transactions. Subscriptions to our Beneficial Ownership Information (BOI) platform continued to build, in line with expectations. Financial Services recorded 3% organic growth (9M 2023: 0%), reflecting growth in recurring revenues and a stabilization in transactional revenues.

Legal & Regulatory: Nine-month revenues grew 8% in constant currencies, partly reflecting the transfer of BOLD into the division and bolt-on acquisitions. On an organic basis, revenues grew 5% (9M 2023: 4%). Legal & Regulatory Information Solutions grew 5% organically (9M 2023: 4%), supported by 7% growth in digital information solutions. Legal & Regulatory Software revenues grew 7% organically (9M 2023: 5%), led by double-digit organic growth at Legisway and continued growth in ELM transactional revenues.

Corporate Performance & ESG: Nine-month revenues increased 7% in constant currencies. On an organic basis, revenues increased by 7% (9M 2023: 8%), as recurring cloud software revenues sustained growth of 12%, but non-recurring on-premise license fees and software implementation services declined 2% (9M 2023: 0%). Our EHS & ESG[1] unit (Enablon) delivered 14% organic growth (9M 2023: 15%), driven by 21% growth in cloud-based software revenues, partly offset by a decline in on-premise software license revenues. Within Corporate Performance Management, the CCH Tagetik CPM platform delivered 9% organic growth (9M 2023: 14%), driven by 17% organic growth in cloud software accompanied by a decline in on-premise software licenses and modest growth in services. Our Audit & Assurance (TeamMate) and Finance, Risk & Reporting (OneSumX) units posted modest organic growth for the nine-month period.

Corporate: Costs decreased in constant currencies as increased personnel costs were more than offset by lower miscellaneous expenses.

Cash Flow and Net Debt

Nine-month adjusted operating cash flow increased 7% in constant currencies, reflecting fewer large vendor payments in the third quarter. Nine-month adjusted free cash flow increased 9% in constant currencies.

Total dividends paid to shareholders amounted to €491 million in the first nine months, including the 2023 final dividend and the 2024 interim dividend (withholding tax to be paid in October). Total acquisition spending, net of cash acquired and including transaction costs, was €332 million in the first nine months, primarily related to the acquisition of Isabel Group assets completed in September 2024. Share repurchases amounted to €762 million in the first nine months.

As of September 30, 2024, net debt was €3,356 million (year-end 2023: €2,612 million), reflecting acquisition spending and cash returns to shareholders. Twelve months' rolling net-debt-to-EBITDA was 1.8x (compared to 1.5x at year-end 2023).

[1] EHS & ESG (formerly EHS/ORM) = environmental, health, and safety & environmental, social, and governance.

Sustainability Update

Throughout 2024, we have continued to invest in programs designed to attract, engage, retain, and develop talent globally. Our workforce turnover rate remained stable throughout the first nine months at around 10%. Human resources programs currently emphasize career development and manager enablement while continuing initiatives to support an inclusive and engaging workplace culture. In the third quarter, we rolled out our Annual Compliance Training, which covers cybersecurity, data privacy, and business ethics. As of the end of October, over 99% of employees globally have completed the exercise.

Our global real estate team made better-than-expected progress in further rationalizing our office footprint, having been able to exit certain office leases earlier than planned. Through the first nine months of 2024, we have achieved an 8% organic reduction in office space (m2) compared to year-end 2023, thereby reducing our Scope 1 and 2 greenhouse gas emissions.

We continued work to align our sustainability reporting with the European Sustainability Reporting Standards (ESRS) set by the EU Corporate Sustainability Reporting Directive (CSRD).

Share Cancellation 2024

On September 13, 2024, we cancelled 10.0 million shares that were held in treasury, as approved by shareholders at the AGM in May 2024. Following this cancellation, the number of issued ordinary shares is now 238,516,153. As of September 30, 2024, 235.8 million shares were outstanding, and 2.7 million shares were held in treasury.

Share Buyback Program 2024 and 2025

In February 2024, we announced a 2024 share buyback program of up to €1 billion. In the year to date, through October 28, 2024, we have completed approximately 85% of this buyback, having repurchased €853 million in shares (5.8 million shares at an average price of €147.64). A third-party mandate is in place to complete the final tranche of €147 million in the period starting October 31, 2024, up to and including December 27, 2024.

For the upcoming year 2025, we have this week signed a third-party mandate to execute up to €100 million in share buybacks for the period starting January 2, 2025, up to and including February 24, 2025.

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 2024 Outlook

Our group-level guidance for 2024 is unchanged. See table below. We expect sustained good organic growth in 2024, in line with the prior year, and an increase in the adjusted operating profit margin.

Full-Year 2024 Outlook

Performance indicators	2024 Guidance	2023 Actual
Adjusted operating profit margin*	26.4%-26.8%	26.4%
Adjusted free cash flow**	€1,150-€1,200 million	€1,164 million
ROIC*	17%-18%	16.8%
Diluted adjusted EPS growth**	Mid- to high single-digit	12%

*Guidance for adjusted operating profit margin and ROIC is in reporting currency and assumes an average EUR/USD rate in 2024 of €/$1.10. **Guidance for adjusted free cash flow and diluted adjusted EPS is in constant currencies (€/$ 1.08). Guidance reflects share repurchases of €1 billion in 2024.

In 2023, Wolters Kluwer generated over 60% of its revenues and adjusted operating profit in North America. As a rule of thumb, based on our 2023 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 now expect 2024 restructuring expenses to increase to approximately €20-€25 million (FY 2023: €15 million). We expect adjusted net financing costs[3] in constant currencies to be approximately €55 million. We expect the benchmark tax rate on adjusted pre-tax profits to be in the range of 23.0%-24.0% (FY 2023: 22.9%).

Capital expenditures are expected to be at the upper end of our guidance range of 5.0%-6.0% of total revenues (FY 2023: 5.8%). We continue to expect the full-year 2024 cash conversion ratio to be around 95% (FY 2023: 100%) due to lower net working capital inflows.

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.

2024 outlook by division

Our guidance for full-year 2024 organic revenue growth by divisions is summarized below. We expect the increase in full-year adjusted operating profit margin to be driven by our Finance & Corporate Compliance, Legal & Regulatory, and Corporate Performance & ESG divisions.

Health: we expect full-year 2024 organic growth to be in line with prior year (FY 2023: 6%). The division margin is expected to decline slightly due to one-time write-offs to streamline the portfolio.

Tax & Accounting: we expect full-year 2024 organic growth to be slightly below prior year (FY 2023: 8%) due to slower growth in non-recurring revenues and the absence of one-time favorable events in Europe. The division margin is expected to decline slightly due to increased product investment.

Financial & Corporate Compliance: we expect full-year 2024 organic growth to be higher than prior year (FY 2023: 2%) with Legal Services transactions recovering and Financial Services transactions stable.

Legal & Regulatory: we expect full-year 2024 organic growth to be in line with or slightly better than prior year (FY 2023: 4%).

Corporate Performance & ESG: we expect full-year 2024 organic growth to be in line with or slightly higher than in the prior year (FY 2023: 9%) as Finance, Risk & Reporting revenues stabilize.

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[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.

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 2023 annual revenues of €5.6 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 21,400 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, Euro Stoxx 50, 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 LinkedIn, Facebook, YouTube, and Instagram.

Financial Calendar

February 26, 2025	Full-Year 2024 Results
March 12, 2025	Publication of 2024 Annual Report
May 6, 2025	First-Quarter 2025 Trading Update
May 15, 2025	Annual General Meeting of Shareholders
May 19, 2025	Ex-dividend date: 2024 final dividend ordinary shares
May 20, 2025	Record date: 2024 final dividend
June 11, 2025	Payment date: 2024 final dividend ordinary shares
June 18, 2025	Payment date: 2024 final dividend ADRs
July 30, 2025	Half-Year 2025 Results
August 26, 2025	Ex-dividend date: 2025 interim dividend ordinary shares
August 27, 2025	Record date: 2025 interim dividend
September 18, 2025	Payment date: 2025 interim dividend
September 25, 2025	Payment date: 2025 interim dividend ADRs
November 5, 2025	Nine-Month 2025 Trading Update

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