Wolters Kluwer

Wolters Kluwer 2022 Nine-Month Trading Update

November 2, 2022 – Wolters Kluwer (EURONEXT: WKL), a global leader in professional information, software solutions and services, today releases its scheduled 2022 nine-month trading update.

Highlights

- **Full-year 2022 guidance reiterated.**
- **Nine-month revenues up 6% organically.**
  - Recurring revenues (81% of total revenues) up 7% organically; non-recurring revenues up 4%.
  - Digital & services revenues (93% of total revenues) up 7% organically; print declined 4%.
  - *Expert solutions* revenues (56% of total) up 9% organically.
- **Nine-month adjusted operating profit up 6% in constant currencies.**
  - Nine-month adjusted operating profit margin up 50 basis points.
- **Nine-month adjusted free cash flow down 1% in constant currencies.**
- **Net-debt-to-EBITDA ratio 1.3x as of September 30, 2022.**
- **Share buyback 2022: approx. 76% completed to date; on track to reach €1 billion by year-end.**
- **Share buyback 2023: mandate signed to repurchase up to €100 million in January and February 2023.**

Nancy McKinstry, CEO and Chair of the Executive Board, commented: *"Through the first nine months of the year, we have seen sustained strong organic growth in recurring revenues, led by our expert solutions. As expected, organic growth in transactional and other non-recurring revenues slowed in the face of challenging comparables and deteriorating economic conditions. We are investing at high levels in product innovation and in our talented workforce, and I am confident in reiterating our outlook for the full year."*

Nine Months to September 30, 2022

Total revenues increased 15%, driven to a large extent by the stronger U.S. dollar (€/$1.06 vs. €/$1.20). In constant currencies, revenues increased 6%, with the impact of disposals (mainly the U.S. Legal Education business in December 2021) exceeding the impact of acquisitions on revenues. Excluding currency, acquisitions and disposals, organic revenue growth was 6% (9M 2021: 6%).

Recurring revenues (81% of total revenues) sustained recent momentum, growing 7% organically in the first nine months (9M 2021: 5%). Non-recurring revenues, which include transactional revenues in Governance, Risk & Compliance (GRC), on-premise software licence and implementation fees, print books, and other ad hoc revenues, grew 4% organically (9M 2021: 9%). Digital and services revenues (93% of total revenues) grew 7% organically, led by *expert solutions* revenues up 9%. Total print revenues decreased 4% organically (9M 2021: 5% growth), with print subscriptions down 7% (9M 2021: decline of 6%) and print books up 2% (9M 2021: 20% growth).

Revenues from North America (64% of total revenues) grew 6% organically (9M 2021: 7%) while revenues from Europe (28% of total) grew 5% (9M 2021: 6%). Revenues from Asia Pacific & Rest of World (8% of total) grew 15% organically (9M 2021: 2%), sustaining the strong improvement seen in the first half.

Nine-month adjusted operating profit increased 17% overall and 6% in constant currencies. The adjusted operating profit margin increased 50 basis points, largely driven by a favorable currency mix and an improvement in the Legal & Regulatory margin. Group-wide adjusted operating costs increased 14% overall and 6% in constant currencies year-on-year, reflecting progress on hiring and increased investment in product development and sales and marketing.

Health: Nine-month revenues increased 5% in constant currencies and 5% on an organic basis (9M 2021: 9%). Clinical Solutions achieved 8% organic growth, supported by strong renewals and new customer wins for UpToDate and our drug information solutions. Patient engagement tool Emmi sustained high single-digit organic growth driven by improved retention, upselling, and new customer wins. Health Learning, Research & Practice recorded 2% organic growth against a challenging comparable (9M 2021: 11%) mainly related to the ASCO publishing contract (which began in 2021). Print book organic revenue growth moderated to 13%, reflecting a decline in the third quarter. Medical research platform Ovid achieved good subscription renewals, while journal advertising revenues exhibited softness in the third quarter. On September 30, 2022, we acquired IJS Publishing Group, a UK-based provider of peer-reviewed open access medical journals focused on surgery.

Tax & Accounting: Nine-month revenues increased 9% in constant currencies and 9% organically (9M 2021: 6%). Corporate Performance, which comprises CCH Tagetik and our U.S. Corporate Tax unit, delivered 10% organic growth, driven by cloud software subscriptions and implementation services. The North American Professional Tax & Accounting business recorded 11% organic growth, partly reflecting favorable timing and non-recurring factors, but underpinned by continued strong performance by our cloud-based CCH Axcess platform. TeamMate, our internal audit solution, delivered robust single-digit organic growth, driven by its cloud solution. Professional Tax & Accounting Europe sustained 6% organic growth.

Governance, Risk & Compliance: Nine-month revenues increased 6% in constant currencies, including the acquisitions of LicenseLogix in October 2021 and IDS in April 2022. On an organic basis, growth was 5% (9M 2021: 5%). Legal Services recorded significantly slower organic growth of 4% (9M 2021: 11%), with recurring revenues up 6% but Legal Services transactional revenues broadly flat against a challenging comparable (9M 2021: 22%). Financial Services revenues increased 6% on an organic basis (9M 2021: decline of 3%), driven by recurring software maintenance and cloud subscription revenues in Compliance Solutions, including at eOriginal. Financial Services transactional revenues were flat (9M 2021: decline of 12%), as sharply lower mortgage-related transaction volumes and the absence of U.S. PPP[1] transactional revenues were offset by double-digit growth in transactional revenues in Lien Solutions. Finance, Risk & Reporting recorded 4% organic growth, as growth in professional services around customer implementations was partly offset by the impact of discontinuing business in Russia and Belarus.

Legal & Regulatory: Nine-month revenues increased 1% in constant currencies, mainly reflecting the disposal of the U.S. Legal Education business in December 2021. Organic growth was 5% (9M 2021: 4%), lifted by sustained strong organic growth in software. EHS/ORM[2] and Legal Software grew 21% (9M 2021: 6%), driven by strong growth in cloud revenues across the board and higher non-recurring on-premise license and implementation fees for the Enablon EHS/ORM software. Legal & Regulatory Information Solutions revenues grew 2% organically (9M 2021: 3%), with digital solutions sustaining 7% organic growth, but print products returning to historic rates of decline. The sale of our legal publishing assets in Spain and France, agreed in December 2021 and expected to complete in 2022, remains subject to the Spanish antitrust process.

Corporate costs increased 10% in constant currencies in the first nine months, due to higher personnel costs and increased spending on market research and various projects.

Cash Flow and Net Debt

Nine-month adjusted operating cash flow was flat in constant currencies due to lower cash conversion (103%) compared to a year ago (108%), mainly as a result of higher capital expenditure and lower working capital inflows. Adjusted free cash flow decreased 1% in constant currencies, with higher cash taxes broadly offset by lower net cash outflows related to restructuring.

Total cash dividends paid to shareholders amounted to €401 million in the first nine months. Total acquisition spending, net of cash acquired and including transaction costs, was €69 million in the first nine months, primarily relating to the acquisition of IDS in April 2022. Divestiture proceeds, net of cash disposed and transaction costs, were negligible. In the first nine months, €618 million in cash flow was deployed towards the 2022 share repurchase program.

As of September 30, 2022, net debt stood at €2,243 million (compared to €2,131 million at year-end 2021). Twelve months' rolling net-debt-to-EBITDA was 1.3x compared to 1.4x at year-end 2021. In September, we issued a new €500 million Eurobond with a 4-year term and 3.0% annual coupon.

ESG Developments

In the year to date, we have made progress on several ESG objectives. In September, we launched our

[1] PPP = U.S. Paycheck Protection Program of 2020 and 2021. GRC's Compliance Solutions supported banks in lending under this program.
[2] EHS/ORM = environmental, health & safety and operational risk management.

annual all-employee compliance training, covering IT and cybersecurity, data privacy, and business ethics. As of the end of October, 99% of employees globally have completed the training program. Our annual engagement survey was kicked off in October. To support employee engagement and diversity, equity, inclusion, and belonging[3], we have launched a 12-month *inclusive leadership* program for executives and people managers and we have started piloting a series of voluntary, employee-led global inclusion networks. On the environmental front, we continued to execute on two key programs that reduce our emissions: as of September 30, 2022, our real estate rationalization program has achieved a 3% reduction in our global office footprint (m^2) compared to December 31, 2021, while our cloud migration program has decommissioned approximately 750 on-premise servers. We have also made progress on the data collection required to measure certain categories of Scope 3 emissions in line with our stated objectives of aligning to the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD) and of ultimately setting science-based targets.

Share Buyback Programs

Early in the year, we announced a 2022 share buyback program of €600 million, which was later expanded to €1 billion on August 3, 2022. In the year to date, through October 31, 2022, we have repurchased €756 million in shares (7.7 million shares at an average price of €97.60). A third party mandate is in place to complete the final tranche of €244 million in share buybacks in the period starting November 3, 2022, up to and including December 28, 2022.

Looking ahead to 2023, we have this week signed a third-party mandate to execute up to €100 million in share buybacks for the period starting January 2, 2023, up to and including February 20, 2023.

Assuming global economic conditions do not deteriorate substantially, 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.

Share Cancellation 2022

On August 31, 2022, we cancelled 5.0 million shares that were held in treasury, as approved by shareholders at the AGM in April 2022. Following this cancellation, the number of issued ordinary shares is 257,516,153. As of September 30, 2022, 252.3 million shares were outstanding and 5.2 million shares were held in treasury.

Full-Year 2022 Outlook

We reiterate our full-year guidance as provided on August 3, 2022. See table below. Following clarification of new U.S. tax rules on the capitalization of research and development expenses, we now expect adjusted free cash flow in constant currencies to be near the top of our guided range. We continue to expect organic momentum to slow moderately in the fourth quarter, largely due to challenging comparables.

Full-Year 2022 Outlook

Performance indicators	2022 Guidance	2021 Actual
Adjusted operating profit margin*	26.0%-26.5%	25.3%
Adjusted free cash flow	€1,025-€1,075 million	€1,010 million
ROIC*	14%-15%	13.7%
Diluted adjusted EPS growth	Mid- to high-single-digit growth	€3.38

*Guidance for adjusted operating profit margin and ROIC is in reporting currency and assumes an average EUR/USD rate in 2022 of €/$1.05. Guidance for adjusted free cash flow and diluted adjusted EPS is in constant currencies (€/$ 1.18). Guidance reflects share repurchases of €1 billion in 2022.

[3] Belonging measures the extent to which employees believe they can bring their authentic selves to work and be accepted for who they are. Belonging and engagement scores are measured by a third party (Microsoft GLINT).

If current exchange rates persist, the U.S. dollar rate will have a positive effect on 2022 results reported in euros. In 2021, Wolters Kluwer generated more than 60% of its revenues and adjusted operating profit in North America. As a rule of thumb, based on our 2021 currency profile, each 1 U.S. cent move in the average €/$ exchange rate for the year causes an opposite change of approximately 2 euro cents in diluted adjusted EPS[4].

We include restructuring costs in adjusted operating profit. We continue to expect that restructuring costs will be within our normal range of €10-€15 million (FY 2021: €6 million). We continue to expect adjusted net financing costs[5] in constant currencies to be approximately €55 million, reflecting higher interest income. In addition, assuming current exchange rates persist, we would expect to incur a (non-cash) foreign exchange loss (in net financing result) of around €30 million on intercompany balances and hedging at year-end.

We now expect the benchmark tax rate on adjusted pre-tax profits to be at the lower end of our guided range of 23.0%-24.0% (FY 2021: 21.5%) due to an anticipated one-time release of a provision in the fourth quarter. Capital expenditure is expected to increase year-on-year but to remain within our normal range of 5.0%-6.0% of total revenues (FY 2021: 5.0%). We continue to expect the full-year cash conversion ratio to be in the range of 100%-105% (FY 2021: 112%).

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.

2022 Outlook by Division

Health: we continue to expect organic growth to slow from 2021 levels (mainly due to the absence of a contract win of the size of the 2021 ASCO deal) and the adjusted operating profit margin to improve.

Tax & Accounting: we continue to expect organic growth to accelerate from 2021 levels and the adjusted operating profit margin to improve.

Governance, Risk & Compliance: we continue to expect organic growth to slow from 2021 levels, mainly due to an expected decline in transactional revenues in the second half. We expect the adjusted operating profit margin to improve for the full year.

Legal & Regulatory: we continue to expect organic growth to improve on 2021 levels. We expect the full-year adjusted operating profit margin to decline modestly due mainly to the absence of a one-off pension amendment recorded in 2021.

About Wolters Kluwer

Wolters Kluwer (EURONEXT: WKL) is a global leader in professional information, software solutions, and services for the healthcare; tax and accounting; governance, risk and compliance; and legal and regulatory sectors. 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 2021 annual revenues of €4.8 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 20,000 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.

[4] 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.

[5] 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.

Financial Calendar

February 22, 2023	Full-Year 2022 Results
March 8, 2023	Publication of 2022 Annual Report
May 3, 2023	First-Quarter 2023 Trading Update
May 10, 2023	Annual General Meeting of Shareholders
May 12, 2023	Ex-dividend date: 2022 final dividend
May 15, 2023	Record date: 2022 final dividend
June 6, 2023	Payment date: 2022 final dividend ordinary shares
June 13, 2023	Payment date: 2022 final dividend ADRs
August 2, 2023	Half-Year 2023 Results
August 29, 2023	Ex-dividend date: 2023 interim dividend
August 30, 2023	Record date: 2023 interim dividend
September 21, 2023	Payment date: 2023 interim dividend
September 28, 2023	Payment date: 2023 interim dividend ADRs
November 1, 2023	Nine-Month 2023 Trading Update

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