

Wolters Kluwer 2019 Nine-Month Trading Update

November 1, 2019 - Wolters Kluwer, a global leader in professional information, software solutions and services, today released its scheduled 2019 nine-month trading update.

Highlights

- **Full-year 2019 guidance reiterated.**
- **Nine-month revenues up 4% in constant currencies and up 4% organically.**
 - Digital & services revenues up 6% organically (90% of total revenues).
 - Recurring revenues up 5% organically (79% of total revenues).
- **Nine-month adjusted operating profit down 1% in constant currencies.**
 - Margin decline due to one-time benefits in comparable period, as expected.
- **Nine-month adjusted free cash flow up 3% in constant currencies.**
- **Net-debt-to-EBITDA ratio 1.7x as of September 30, 2019.**
- **Share buyback programs:**
 - Buyback 2019: expanded by €100 million; now intend to buy back up to €350 million.
 - Buyback 2020: now intend to buy back up to €50 million in shares in January-February.

Nancy McKinstry, CEO and Chairman of the Executive Board, commented: *“I am pleased to see organic growth supported by all four divisions and led by demand for our expert solutions which deliver insights, analytics, and productivity to our customers. We are making progress on key strategic priorities—including enriching our digital information products with tools to automate customer workflows and upgrading important internal systems and infrastructure. We reiterate our outlook for the full year.”*

Nine Months to September 30, 2019

Revenues increased 9% overall, benefitting from the effect of exchange rate movements, in particular the U.S. dollar rate, which averaged \$1.12/€ (9M 2018: \$1.20/€) during the first nine months. In constant currencies, revenues increased 4%, including a slight net positive impact from acquisitions, net of disposals. Organic growth was 4%, with all four divisions delivering positive organic growth. Revenues from North America (60% of total revenues) grew 3% organically while revenues from Europe (31% of total) increased by 5% organically. Asia Pacific & Rest of World (9% of total) recorded organic growth of 6%. Recurring revenues (79% of total revenues) were up 5% on an organic basis. Non-recurring revenue trends remained mixed, with print books down 12% organically. Adjusted operating profit for the first nine months declined 1% in constant currencies. The adjusted operating profit margin declined, as expected, due to the effect of one-time benefits in the comparable period in 2018.

Health: Nine-month revenues increased 3% on an organic basis. Clinical Solutions revenue increased 6% organically, led by our clinical decision tool UpToDate which grew 9%. Our clinical drug information products saw good organic growth, benefitting from cross-selling by the recently integrated sales force. Our patient engagement solution saw weak new sales and, following review, we recorded an impairment charge of €38 million in the third quarter (of which €2 million included in adjusted operating profit) to reflect a more conservative outlook for this market segment. Health Learning, Research & Practice revenues were flat on an organic basis, as good organic growth in the Ovid medical research platform, open access, and in e-learning solutions for nurses was offset by decline in print journal subscriptions, continuing medical education, and printed books. On September 4, 2019, we divested a number of Allied Health book titles, recording a book loss of €6 million.

Tax & Accounting: Nine-month revenues grew 6% organically driven by software solutions for professionals at firms and corporations. Print, training and other services revenues declined, as expected. Our Corporate Performance Solutions unit (comprising CCH Tagetik and TeamMate) delivered 16% organic growth, driven by new sales and upgrades around the world. In the U.S. professional firm segment, we recorded continued strong growth in our cloud-based CCH Axxess suite from existing and new customers. Tax & Accounting Europe grew 9% organically, with both on-premise software and cloud-based collaborative solutions performing well across the region. In Asia Pacific, digital revenue growth was broadly offset by print declines. Our business in Brazil remains challenged.

Governance, Risk & Compliance: Nine-month revenues grew 3% organically, with recurring revenue growth sustained at 3% and non-recurring revenue growth moderating slightly. Legal Services delivered 5% organic growth, buoyed by better-than-expected Legal Services transactional revenues driven by demand for search, retrieval and filing from U.S. corporations and law firms. Financial Services grew 2% organically, led by Finance, Risk & Reporting which recorded high single-digit organic growth. Our Compliance Solutions unit delivered improved growth in recurring software maintenance revenues, offset by a decline in non-recurring professional services revenues due to lengthening sales cycles. Wolters Kluwer Lien Solutions saw organic growth moderate compared to a year ago, with the effect of a slowdown in U.S. commercial lending volumes partly offset by growth in our motor vehicle solution.

Legal & Regulatory: Nine-month organic growth was 2%. Our Legal & Regulatory Software businesses, achieved 20% organic growth, led by Enablon's environmental, health & safety and operational risk management (EHS/ORM) solutions. In Legal & Regulatory Information Solutions, organic growth was positive overall and in line with first half 2019 trend. Improved growth of digital information products and favorable phasing of loose leaf publications compensated for an accelerated decline in print books revenues over the nine-month period.

Corporate costs increased due to the absence of prior year net positive one-time items and due to increased investment to strengthen central functions and transform our global HR systems.

Cash Flow and Net Debt

Nine-month operating cash flow declined slightly in constant currencies. Cash conversion was 91%, below the comparable period due to higher working capital outflows, as expected. Nine-month adjusted free cash flow increased 3% in constant currencies, benefitting from lower paid financing costs.

Total net dividends paid amounted to €264 million in the first nine months. Divestiture proceeds, net of cash disposed and disposal cost, were €39 million and relate to the sale of certain Allied Health titles on September 4, 2019 and the sale of our 40% stake in an Austrian information business on May 2, 2019. Acquisition spending, net of cash acquired and including costs, was €35 million in the first nine months, primarily relating to CLM Matrix, acquired on May 7, 2019. In the first nine months, a total of €162 million was spent on share repurchases. Net debt was €2,305 million and twelve months' rolling net-debt-to-EBITDA was 1.7x as of September 30, 2019 (1.8x at year-end 2018).

Share Buyback Programs 2019 and 2020

On February 20, 2019, we announced our intention to repurchase shares for up to €250 million during 2019, including repurchases to offset incentive share issuance. In the year to date, we have made significant progress on this buyback, having spent €190 million as of October 30, 2019 (3.0 million ordinary shares; average price €63.30).

Today we are announcing our intention to expand the total intended 2019 buyback amount to €350 million. We have granted a mandate to a third-party to execute the remaining €160 million tranche between November 4, 2019 and December 27, 2019. In addition, we announce today that we have signed a further third-party mandate to execute up to €50 million in share buybacks on our behalf in the period starting January 2, 2020, up to and including February 24, 2020. Both 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.

As previously announced, on September 27, 2019, we completed the cancellation of 6,700,707 shares held in treasury, a step approved by shareholders in April 2019. Following this cancellation, the number of issued ordinary shares is 273,016,153. Of this, 269.5 million shares were outstanding and 3.5 million shares were held in treasury as of September 30, 2019.

Full-Year 2019 Outlook

Our full-year 2019 guidance, shown in the table below, is overall unchanged. We continue to expect to deliver solid organic growth and margin improvement for the full year. Including a fourth-quarter one-time credit of approximately €16 million (related to the modernization of our U.S. employee benefits) we now expect the full-year adjusted operating profit margin to be at the top end of our guided margin range. This credit will be recorded in the units where we have U.S. employees. We continue to expect an increase in diluted adjusted EPS in constant currencies and in return on invested capital (ROIC).

Full-Year 2019 Outlook

Performance indicators	2019 Guidance	2018 (Under IFRS 16)
Adjusted operating profit margin	23.0%-23.5%	23.1%
Adjusted free cash flow	€750-€775 million	€762 million
ROIC	10.5%-11.5%	10.6%
Diluted adjusted EPS	Around 10% growth	€2.45

Note: Guidance for adjusted operating profit margin and ROIC are in reported currencies and assume a 2019 average U.S. dollar rate of approximately €/\$ 1.12. Guidance for adjusted free cash flow and earnings per share are in constant currencies (€/\$ 1.18). Guidance for adjusted EPS includes the estimated effect of the announced up to €250 million share buyback planned for 2019. 2018 comparatives are in reported currencies and restated for IFRS 16.

Our guidance is based on constant exchange rates. In 2018, Wolters Kluwer generated more than 60% of its revenues and adjusted operating profit in North America. As a rule of thumb, based on our 2018 currency profile, each 1 U.S. cent move in the average €/\$ exchange rate for the year causes an opposite change of approximately 1.5 euro cents in diluted adjusted EPS.

Restructuring costs are included in adjusted operating profit. As indicated in July 2019, we expect restructuring costs to be at the upper end of our guided range of €10-€20 million in 2019 (2018: €30 million). We expect adjusted net financing costs of approximately €65 million in constant currencies¹ including approximately €10 million in IFRS 16 lease interest charges. We expect the benchmark tax rate on adjusted pre-tax profits to be in the range of 24.5%-25.5%.

Capital expenditure is expected to remain in the range of 5%-6% of total revenues (2018: 5.2%, excluding the sale of real estate). Cash repayments of lease liabilities are expected to be in line with depreciation of right-of-use assets. We expect the cash conversion ratio to be between 95%-100% in 2019 (2018: 103% restated for IFRS 16). 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 and earnings in the near term.

2019 Outlook by Division

Health: We now expect full-year 2019 organic growth to be in line with first-half 2019 trend. We continue to expect the full-year adjusted operating profit margin to decline due to lower one-time benefits, higher restructuring costs, and increased investment in sales & marketing and product development.

Tax & Accounting: We continue to expect full-year 2019 organic growth to moderate from 2018 levels due to a challenging comparable. We continue to expect the full-year adjusted operating profit margin to improve on the back of lower restructuring costs, efficiencies, and favorable year-on-year change in net one-time items.

Governance, Risk & Compliance: We expect recurring revenues to show improved organic growth but non-recurring revenue streams to show modest deceleration. We expect the full-year adjusted operating profit margin to see an improvement, partly due to efficiency initiatives.

Legal & Regulatory: As indicated in July 2019, we expect organic growth to show improvement on 2018. We continue to expect the adjusted operating profit margin to decline due to lower one-time benefits, increased investment, and the full twelve-month inclusion of eVision.

¹ Guidance for net financing costs in constant currencies excludes the impact of exchange rate movements on currency hedging and intercompany balances.

About Wolters Kluwer

Wolters Kluwer (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 specialized technology and services.

Wolters Kluwer reported 2018 annual revenues of €4.3 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 18,600 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 LinkedIn, Twitter, Facebook, and YouTube.

Financial Calendar 2020

February 26, 2020	Full-Year 2019 Results
March 11, 2020	Publication of 2019 Annual Report
April 23, 2020	Annual General Meeting of Shareholders
April 27, 2020	Ex-dividend date: 2019 final dividend
April 28, 2020	Record date: 2019 final dividend
May 6, 2020	First-Quarter 2020 Trading Update
May 20, 2020	Payment date: 2019 final dividend ordinary shares
May 27, 2020	Payment date: 2019 final dividend ADRs
August 5, 2020	Half-Year 2020 Results
September 1, 2020	Ex-dividend date: 2020 interim dividend
September 2, 2020	Record date: 2020 interim dividend
September 24, 2020	Payment date: 2020 interim dividend
October 1, 2020	Payment date: 2020 interim dividend ADRs
October 30, 2020	Nine-Month 2020 Trading Update

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Forward-looking Statements and Other Important Legal Information

This report contains forward-looking statements. These statements may be identified by words such as “expect”, “should”, “could”, “shall” and similar expressions. Wolters Kluwer cautions that such forward-looking statements are qualified by certain risks and uncertainties that could cause actual results and events to differ materially from what is contemplated by the forward-looking statements. Factors which could cause actual results to differ from these forward-looking statements may include, without limitation, general economic conditions; conditions in the markets in which Wolters Kluwer is engaged; behavior of customers, suppliers, and competitors; technological developments; the implementation and execution of new ICT systems or outsourcing; and legal, tax, and regulatory rules affecting Wolters Kluwer’s businesses, as well as risks related to mergers, acquisitions, and divestments. In addition, financial risks such as currency movements, interest rate fluctuations, liquidity, and credit risks could influence future results. The foregoing list of factors should not be construed as exhaustive. Wolters Kluwer disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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