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PRESENTATION
Operator
Thank you for standing by and welcome to the Wolters Kluwer first half 2015 conference call and webcast. For the first half of this call let me remind you that all participants are on listen-only mode and afterwards there will be a question-and-answer session. As a reminder, this conference call is being recorded. I would now like to hand the call over to Meg Geldens, Vice President Investor Relations. Ms. Geldens, please go ahead.

Meg Geldens - Wolters Kluwer NV - VP IR
Good morning everyone and welcome to our 2015 half-year results conference call and webcast. Hopefully you’ve had a chance to look at our earnings release this morning. All materials are available for download on our website.

We will start today with the presentation of the results by Nancy McKinstry, CEO and Chairman of the Executive Board, and Kevin Entricken, CFO and member of the Executive Board.

Following their presentation we will open the conference call for your questions.

As a reminder, some of the statements we make on this call will be considered forward-looking statements, we caution that actual results may differ materially from what is contemplated in these forward-looking statements, due to a number of risks and uncertainties that are detailed in our annual report.

Throughout the presentation we will refer mainly to growth rates in constant currencies which exclude the effect of exchange rate movements. We also refer to adjusted figures. A reconciliation to IFRS-reported figures can be found in our release today. And now I would like to handover this call to Nancy McKinstry, our CEO.
Thank you, Meg. And welcome everyone. Thank you for joining us on the conference call and the webcast. I will start today’s presentation with a brief summary of the highlights of the first half, and then Kevin will provide you with greater financial details. Then I will review the divisional performance and give you an update on our progress against our strategy and finish with a discussion of our guidance for 2015.

So let’s get started with the highlights. We are encouraged by the first half of the year. We show clear underlying improvements on our results from a year ago. We achieved a solid 2% organic growth and underlying margin increase. Diluted adjusted EPS increased 5% at constant currencies. Cash flow remains healthy and our balance sheet has strengthened further.

We’ve also made good progress on our strategy, our leading high-growth businesses grew 7% in the first half, and we are continuing to expand these businesses with organic investment and selective acquisitions.

We are also delivering some exciting new product introductions to the marketplace. Although new and enhanced product investment remains within the 8% to 10% of revenue range, we have stepped up our investments this year, pushing our overall investment level to the upper end of that range.

We’ve made also good progress on driving efficiencies, you can already see the results of last year’s restructuring initiatives coming through in the tax and accounting margin, and this year we’ve increased our efforts in the legal and regulatory European group.

And today we’re creating a new division by combining corporate legal services and financial and compliance services. [And then currently] for six months of the year, despite mixed economic environments in some parts of the world we are confident that we will achieve our guidance for the year, and our balance sheet strength and reliable cash flow generation leads us to introducing interim dividend later this year.

So with these highlights I’d now like to turn it over to Kevin for some more details.

Kevin Entricken - Wolters Kluwer NV - CFO and Chairman of the Executive Board

Thank you, Nancy. I’d like to start today by summarizing the headline figures. Half-year revenues grew 17% overall, reflecting the stronger US dollar. Organic revenue growth was 2%, an improvement over the 1% organic growth we saw last year. Including acquisitions, our constant currency growth was 3%. Half-year adjusted operating profit increased 5% in constant currencies to EUR391 million.

The adjusted operating profit margin was 19.4%. This improvement reflects the stronger US dollar. However, in addition, the margin was also boosted by underlying improvements driven by our on-going shift in our business mix, operational gearing and our efficiency programs.

Diluted adjusted earnings per share, was EUR0.79, up 5% in constant currency. And our adjusted free cash flow increased 25% overall to EUR270 million. In constant currencies our adjusted free cash flow was broadly in line with the prior year. Finally, our net debt to EBITDA improved to 2.1 times from 2.6 times a year ago.

Now I’d like to take a look at revenues by division. Three divisions reported positive organic growth. Tax and accounting delivered 3% organic growth compared to 1% organic growth in the prior year.

Tax software now represents 70% of the division’s revenue, and we continue to see good growth in this area. Health sustained 5% organic growth driven by the double-digit growth in clinical solutions. Financial and compliance services achieved 5% organic growth, a significant improvement. This reflects the turnaround of our originations business driven by new regulations in the United States.

Finally, underlying revenues of legal and regulatory were in line with the prior year. This improvement on the decline we saw a year ago was driven entirely by our corporate and legal services group.
Now let's take a look at revenues by region. Revenues from North America grew 5% organically compared to 1% in the prior year. This acceleration in North America was largely the result of stronger performance from corporate legal services and financial and compliance services.

Revenues in Europe decreased by 2% organically. This was primarily due to legal and regulatory solutions, which is where the majority of our remaining print revenue is found.

Corporate legal services, tax and accounting, and health, all achieved good growth in Europe. And financial and compliance services also performing in line with expectations. Finally, in Asia-Pacific and the rest of the world we saw organic growth of 6%, in line with the prior year.

Now I'd like to turn to growth by media format. Digital products now make up 71% of our revenues and are showing consistent organic growth. More than half of this EUR1.4 billion revenue relates to software and workflow tools.

Digital revenues increased 6% organically, accelerating from the 5% growth we saw in the prior year. Our digital revenues are growing in all divisions and in all geographies.

Services grew 1%, an improvement on the prior year, driven primarily by corporate legal services and the transactional services and financial and compliance services. Print revenues declined 9% organically, and now make up only 16% of total revenues.

With that I'd now like to turn to profitability. Our adjusted operating profit was EUR391 million, up 5% in constant currencies and up 4% organically. The adjusted operating profit margin increased to 120 basis points to 19.4%.

This increase is partially due to currency, but we also delivered underlying margin improvement as a result of the shift in our business mix, operational gearing, and the benefit of our operational excellence programs.

The legal and regulatory margin declined modestly, mainly reflecting the increased in restructuring costs. Tax and accounting margin increased to 27%, an improvement of 360 basis points. This was due to a much lower restructuring cost as compared to the first half of last year.

The health margin was stable due to restructuring costs related to the integration of our two publishing units. We continue to expect the publishing margins to increase for the full year. The financial and compliance service margin improved by 110 basis points due to operational gearing and lower restructuring costs.

Now let's run through the remainder of the income statement, starting with our adjusted numbers. Adjusted net financing costs increased to EUR67 million, the increase was largely due to currency, in particular the stronger US dollar.

Excluding currency, our finance costs would have been in line with the prior year. Our effective tax rate was slightly lower at 27.5%. Our adjusted net profit after tax was EUR235 million, up 5% in constant currencies. Diluted adjusted earnings per share also improved 5% at constant currencies to EUR0.79 per share.

Now let's take a look at IFRS figures. Reported operating profit increase 31% to EUR281 million, primarily due to currency. Reported net financing results was a net expense of EUR69 million.

A year ago financing results was a positive EUR25 million as this included the one-time Datacert gain, reported profit for the period and reported EPS declined 9% due to the absence of this Datacert gain in the prior year.

And now let's take a look at cash flow. Adjusted operating cash flow was EUR340 million in line with the prior year at constant currencies. This reflect the expected decline in our cash conversion ratio to 87% as a result of increased CapEx investments and the timing of billing and collections.

CapEx was 4.2% of revenues. This was in line with our guided range of 4% to 5% of revenues. For the full year we expect our cash conversion ratio to be approximately 95%. Paid financing cost decreased as we expected as a result of our right refinancing exercise last year and the absence of
the extra coupon that we paid in the prior year. This reduction was offset by higher cash tax payments. As a result, adjusted free cash flow was a EUR170 million, up 23% and broadly flat at constant currencies.

Now I’d like to talk about the uses of cash. We paid EUR211 million in dividend in the first half. Acquisition spend including expenses was EUR40 million. About half relates to earn-outs of prior acquisitions. The balance relates to a few small bolt-on acquisitions in our tax software businesses. We completed the EUR140 million share buyback program, EUR134 million of which we settled before June 30th. The bottom line is we saw a net cash outflow of a EUR172 million, increasing our net debt to just under EUR2.1 billion. Our leverage ratio was reduced to 2.1 times due to the increase in EBITDA.

Our balance sheet remains very strong, and you can find the maturity profile of our debt in the appendices to this presentation. The next bond maturity is not until 2018.

Now, a few words on returns to shareholders. We are committed to a progressive dividend policy as a way to reward our shareholders. We aim to increase the absolute dividend each year. We have now delivered nine consecutive years of dividend increases under this policy.

And today we are announcing our intent to move to a semi-annual dividend frequency starting with an interim dividend for the current year. This is subject to final resolution in September, and this policy will be fixed, will fix the interim dividend to 25% of the prior year's total dividend. This means EUR0.18 per share for this year’s interim dividend or about EUR50 million in total to be paid in October of 2015. This change will align the timing of our future dividend payments more closely with our operational cash flows. Of course, the final dividend for 2015’s financial year will remain planned for May next year and is subject to approval at the annual general meeting next April.

So, in summary, we are very encouraged by the results for the first half and we are on course to meet our full year guidance. Organic growth was solid at 2% driven by our leading growing positions and digital products across all divisions and geographies.

Underlying margin increased as we continued to shift to higher margin digital businesses and drive operational excellence. Free cash flow was EUR170 million, in line with our expectations and our net debt to EBITDA ratio is 2.1 times.

Now, with that I’d like to hand the presentation back over to Nancy to update you on our divisions and progress against our strategic initiatives.

Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board

Legal and regulatory revenues increase 2% at constant currencies. Organic growth was flat, which is an improvement compared to a year ago entirely due to corporate legal services which had a very strong first half. The divisional operating margin declined modestly due to the increase in restructuring in the division. Corporate legal services organic growth was 8%, driven by double digit organic growth in transactional revenues. While this was against an undemanding comparable compared to last year, it also speaks to the relative strength of the US economy and our management team’s focus on innovation, go to market and operational excellence.

Transactional revenue growth was broad-based. We saw increased volume in corporate formation and other filings. We saw a recovery in the UCC business and we saw stronger trademark activity. We will face a tougher comparable in the second half of this year, particularly in the fourth quarter.

ELM Solutions also performed strongly, delivering double-digit organic growth. Legal and regulatory solutions declined 4% organically. This was in line with the second half trend of 2014.

Digital revenues continue to grow but print and training products remain in decline and our customers are continuing to manage their budgets tightly. In this business our focus is on driving efficiencies while building on our digital platforms and expanding our suite of software products. We’ve also stepped up our restructuring initiatives.
Now a few words about tax and accounting. Tax and accounting revenues increased 3% at constant currencies and on an organic basis. This is an improvement over prior year. Software now accounts for 70% of the division’s revenues and delivered 5% organic growth which continues to offset expected declines in print products and bank products.

The notable margin increase mainly reflects a significant amount of restructuring a year ago with the benefits flowing through this year. In North America we achieved good organic growth driven by software solutions. Our US on-premise software continues to deliver good growth and importantly our new cloud-based suite called CCH Axcess is winning over both existing and new users. CCH Axcess accounts for over 40% of our new US software revenues.

Small-firm services saw improved organic growth. Our US publishing business research and learning is seeing continued print decline but we are encouraged by some of the innovations this unit is launching. IntelliConnect Browser Search recently won the prestigious CODiE award on top of other industry honors. Europe saw improved organic growth driven by better performance in Spain and Italy and strong performance by Twinfield.

In Europe we are investing in cloud-based and collaborative solutions and we are now introducing Twinfield into Germany. Asia Pacific and rest of the world also performed well. As elsewhere, software is driving growth and offsetting the trends in print. And finally, in Brazil we are seeing positive organic growth despite the downturn in the economy.

So now, let's look at our health division. Health delivered 5% organic growth as well as 5% in constant currencies. Growth continue to be driven by clinical solutions which now accounts for almost half of the division. The adjusted operating margin was flat due to first-half weighted restructuring cost and investments in growth initiatives. Clinical solutions delivered 11% organic growth. UpToDate again achieved excellent growth in all regions of the world adding major new customers in Japan, Brazil and Spain as it advanced the rollout of UpToDate Anywhere.

Drug information also delivered robust growth and our clinical software solutions grew in the first six months despite challenging comparables from the prior year. Organic investment remains a priority in this business and we are stepping up this investment in 2015.

Health learning, research and practice held revenues broadly stable on an organic basis. The margin was impacted by restructuring costs related to the integration of the two publishing units.

Ovid continues to perform well, driving growth for digital journals, books and other medical content offsetting declines in print. Our open access journal offering continues to expand. And we are making progress with the transformation of our traditional medical textbook business where we are seeing digital solutions growing at a double-digit rate.

Finally, our financial and compliance services group. Financial and compliance services achieved 5% organic growth, a significant advancement from the 1% growth we posted a year ago. This upturn was due to the recovery in our origination unit and is reflected in higher non-recurring revenues and improved transactional revenues. The adjusted operating margin increased 110 basis points due to operational gearing and lower restructuring cost.

Finance, risk and compliance delivered 5% organic growth despite a tough comparable. Growth was driven by new software licenses, professional advisory and implementation fees. Our investment compliance platform which is called GainsKeeper also performed strongly.

Audit saw healthy organic growth driven by new customer wins for TeamMate's internal audit suite. The originations unit achieved high single digit organic growth compared to a decline a year ago. This was driven by professional service and new and expanded contracts for our Expere loan origination software associated with the new TILA-RESPA rules which are due to go into effect later this year. The unit also benefited from a recovery in US mortgage volumes, leading to growth in transactional revenues compared to a double digit decline a year ago.

After completing a thorough review we have decided to retain our transport services unit. In the first half we saw further moderation in the rate of revenue decline and the freight exchange business is now largely transitioned to a subscription model.
So now let me update you on our strategy. Our strategy aims to expand our leading growth positions, invest in solutions that improve our customer’s outcomes and productivities and to drive efficiencies in our operations.

In 2015 we continue to invest in our leading high-growth businesses which achieved 7% organic growth in the first half. We expanded in a few areas with bolt-on acquisitions such as SureTax in the US and SBS in Germany. And now we are creating a new division called GRC Solutions to leverage some of these leading growth positions to pursue further opportunities in governance, risk and compliance.

We have increased product development spending but it remains within the 8% to 10% of revenue range. And we've made very good progress on driving efficiencies. We've expanded our initiatives in the legal and regulatory solutions group and we've also now completed the merger of our two publishing groups within the health medical area. More and more we are leveraging technology platforms and tools across borders to create global products.

Our focus on our leading high-growth businesses is paying off. Finance risk compliance and audit combined was up 5% organic, clinical solutions up 11%, tax and accounting software up 5% and corporate legal services up 8%. These businesses together are growing a portion of our business mix and now reach 52% of the total group revenues in the first half of this year.

I now want to highlight three innovations that are getting our attention this year. The first is our UpToDate initiative in China. As many of you know we've been building a Chinese language version of UpToDate for two years now. A few months ago we moved from our beta period to soft launch. The product is called UpToDate Clinical Consultant and it contains approximately 3,100 topics which have been translated into Mandarin. The product integrates our Chinese pharmaceutical data from Medicom.

Its early days, but we are excited about our initial results. We have our first paying customers, and the feedback from customers is positive. Customers are particularly finding value in our mobile application.

The second example comes from our CCH iFirm product in tax and accounting. This is a cloud-based product that originated in Australia. iFirm equips the professional accountant with all the tools and information that he needs to run his accounting practice, helping them save time and resources by automating administrative tasks. It allows the professional to focus on adding value to their clients. We are now rolling out iFirm in other geographies. It’s already expanded to Singapore and Hong Kong, and in the first half of 2015 we launched in India and in the US in our small firm services group. iFirm Practice Manager is also available as a mobile application.

The final example comes from our financial and compliance services division. Over the past year and a half we’ve been investing to ensure that Expere and ComplianceOne are ready to support US banks in complying with the new US lending regulation called TILA-RESPA. This rule is expected to go into effect later this year and requires lenders to comply with new mortgage disclosure rules. We invested early and we’ve been very busy integrating our solutions within our customers’ lending systems. Over the past 18 months Expere Mortgage has added over 20 new bank customers.

So now let me turn to the third pillar of our strategy, driving efficiencies. The majority of our restructuring cost this year will be in the legal and regulatory solutions unit. The most important initiatives that we are focused on are streamlining, editorial and production functions across Europe and optimizing our sales and marketing efforts.

Now let me turn to the outlook for 2015. For legal and regulatory we expect CLS to see organic growth albeit at a more moderate pace in the second half, facing a difficult comparable. Legal and regulatory solutions is expected to decline due to weakness in print and still challenging conditions in Europe. Margins will be constrained by cost inflation, increased restructuring in legal and regulatory solutions and increased product investments.

For tax and accounting we expect full year revenue growth to be similar to 2014 with growth in software solutions more than offsetting ongoing declines in publishing and bank products. Margins for the full year are expected to improve even with increased investments and product development.
In health we foresee steady revenue growth again supported by robust growth in Clinical Solutions globally. Health, learning, research and practice revenue is expected to be broadly flat. Margins are expected to rise for the full year. For financial and compliance services we expect finance, risk and compliance and audit to see positive organic growth with comparables becoming more challenging in the second half.

For originations, the outlook for mortgage refinancing volumes remains mixed, but the new TILA-RESPA regulation is providing us growth opportunities.

Here you see the overall guidance for 2015 which remains unchanged from February. We expect our adjusted operating profit margin to improve to be between 21% and 21.5%. This includes restructuring cost of approximately EUR35 million. We expect our free cash flow between EUR500 million and EUR525 million in constant currencies. We expect ROIC at or above 8%. We expect EPS growth in mid-single digits in constant currencies. So all in all we are well-positioned to achieve our 2015 goals and we remain confident in our growth prospects.

So thank you very much for our attention. I would now be happy to turn it over to Q&A. So if the operator could open the lines. Thank you.

**QUESTIONS AND ANSWERS**

**Sami Kassab - Exane BNP Paribas - Analyst**

First question, please. Historically the Group tends to report better organic revenue growth in the second half of the year. Can we expect that for 2015 as well please?

Secondly, given the seasonality of your free cash flow, your leverage ratio is likely to trend further down in the second half, so can you remind us of your priority in terms of capital allocation, should we expect a further share buyback next year or has your acquisition policy changed? Thank you.

**Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board**

Okay, thanks Sami. Good morning. I’ll take the first question and then ask Kevin to talk about cash and capital allocation. So in terms of the how you should think about organic growth for the remainder of the year, what we are encouraged by is of course the strategy is working. In that we continue to see good growth in digital solutions and we saw 7% organic growth in our leading high-growth positions, which now represent over 50% of the Group. So that is very encouraging.

What I would like to remind everyone however is that the second half we have a much stronger set of comparables for many of our groups. There is also some timing effects that of course come through throughout the year. So I would like to again stress the comparable element of what you should expect in the second half. Cash?

**Kevin Entricken - Wolters Kluwer NV - CFO and Chairman of the Executive Board**

Sure. Yes, Sami, our priorities for uses of cash have not changed. Just to remind everyone, they are investments in our business through organic investments and through smaller bolt-on acquisitions, paying down debt and rewarding our shareholders through a progressive dividend. So that is unchanged, we continue to do that.
With regard to our leverage, our target remains 2.5 times. We are slightly below that target at the half year, at 2.1 times. Regarding a share buyback, we have just completed a EUR140 million share buyback. With regard to share buybacks in the future, Nancy and I will obviously evaluate that as part of our uses of cash.

Sami Kassab - Exane BNP Paribas - Analyst
Thank you.

Operator
Nick Dempsey, Barclays Capital.

Nick Dempsey - Barclays Capital - Analyst
I’ve got three questions. Just first of all thinking about your margin guidance for the full year, it looks like taxes are on track to deliver a pretty significant improvement in margin for the full year. And then when you talk about how much of your restructuring spend you’ve done in the first half, more than half, so EUR22 million out of EUR35 million, so where else are you going to see a hit to margin in the second half to balance out what is likely a positive effect in tax?

And then the second question on revenue growth, I understand that you have tougher comps in the second half, but I just wanted to dig in though a little bit more and understand how much of those tough comps come from one-off effects like up from licensing payments or software deals and how much just because you had good transactional revenue growth in the second half last year?

Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board
Okay, okay. Thanks Nick. So on the margin guidance what you say in the first half is of course a good improvement what largely that coming through in tax and accounting, and that is due to the fact we had restructuring charges in the first half of last year. So you should expect tax and accounting margins to improve year on year, but of course the delta that you saw in the first half will begin to moderate as again the comparables come into being.

So we are seeing good improvements in margins. Again, very much driven by the mix shift towards greater digital, particularly software products. The other thing that you’ll see in the second half is that we are stepping up our investments as we indicated in product development and in sales and marketing. And those investments will be back-end loaded, so you will see that come through in the third and fourth quarter. So while we expect margin improvement year over year for the Group, we will have some additional investments in the second half.

And then in terms of revenue growth, you know, as you note -- of course there is some timing that always goes on with licensing fees, particularly in our financial and compliance service group where these are large bank contracts. There is also, as you note, we had some good transactional revenues particularly in corporate legal services in the first half.

So as we look to the second half, what we fully expect is that some of those timing effects will moderate and you should expect again the tough comparables coming through for the remainder of the year.

Nick Dempsey - Barclays Capital - Analyst
And maybe if I could just quickly follow up on what you said about investment.
Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board

Sure.

Nick Dempsey - Barclays Capital - Analyst

Did you mean in a product investment than a sales and marketing investment, did you mean in tax and accounting or everywhere across the Group in the second half?

Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board

Yes, it’s really broad-based across the division and largely very much in the high-growth leading positions. And so we believe that we have some opportunities to further build out our geographic penetration in product lines such as UpToDate and in tax and accounting software by adding some sales people around the globe, and we also want to advance some of our new product development initiatives, particularly our cloud-based solutions. But again, broader than just tax and accounting really across the divisions.

Nick Dempsey - Barclays Capital - Analyst

Great. Thank you.

Operator

Sander van Oort, Kempen & Co.

Sander van Oort - Kempen & Co - Analyst

Three questions, if I may. First of all, on restructuring expense. Maybe you can elaborate a bit on the divisional breakdown. Second question is on working capital, the EUR45 million outflow in the first half is it safe to assume that this will fully unwind into the second half of the year.

And then thirdly, coming back to your comments that you will review future shareholder returns in the near future, if I may, any particular event, when we can expect this review to take place or what kind of catalyst will again put this on the management agenda? Thank you.

Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board

Okay. I'm going to ask Kevin to answer those questions.

Kevin Entricken - Wolters Kluwer NV - CFO and Chairman of the Executive Board

Certainly. Sander, in the first half of this year we've spent EUR22 million on restructuring, slightly higher than the prior year where we spent EUR19 million on the first half. We are guiding to total year spend of EUR35 million. This is largely in our legal and regulatory solutions business, primarily in Europe. We did do some restructuring in our healthcare business to bring together our two publishing businesses in healthcare, but by and large the majority of that spend, EUR19 million, will be in legal and regulatory solutions.

With your question on working capital and the working capital flows in the first half of this year. As we've said, I do expect our cash conversion ratio will be approximately 95% by the end of the year. What we did see in the first half of the year is just slight changes in timing of billing cycles in our corporate legal services business in particular, where a billing cycle that had occurred in May of the prior year occurred in June of this year. So that changes the cash conversion slightly, but we do expect 95% by the full year.
And finally on future shareholder returns, as just a matter of practice, Nancy and I are constantly looking at our business opportunities and, to remind you, we will continue to look for investments in organic growth, continue to look at smaller bolt-on acquisitions, pay down debt and reward our shareholders. So that is an ongoing part of what we do.

Sander van Oort - Kempen & Co - Analyst

Okay. Thank you.

Operator

Hans Slob, Rabobank.

Hans Slob - Rabobank - Analyst

First is, if you would really see the EUR30 million to EUR35 million restructuring spending as still true? Can these costs go down next year as you’re now down, for instance, in tax and accounting and in health?

Second question is on the financial and compliance margins. There are still 3 to 5 basis points (inaudible) average prices of Wolters Kluwer. Can these margins move back to the Group average over time?

And my last question is the cost savings in healthcare from the merger of medical research and professional education, how substantial are these? Thanks.

Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board

Okay. Why don’t I take -- I’ll start with the financial service question and then you can take the other two. So on financial services, as you may know that we’ve been really investing significantly in this division, primarily to build out our global footprint for our regulatory reporting and compliance suite of products. So that investment continues in 2015.

Over time as we get greater scale you should certainly expect that the margins will improve and get closer to the Group average as we get -- as I say greater scale in some of these software product lines. But the nature of what they do there from a software perspective is quite similar to what we do in the other divisions. But we do need to continue to invest a bit more to get the scale that we need.

Kevin, you want to talk about restructuring?

Kevin Entricken - Wolters Kluwer NV - CFO and Chairman of the Executive Board

Yes. Hans, on restructuring, yes, we have announced EUR35 million in restructuring expected this year. That’s very similar to what we did in the prior year. Now, however in years gone by restructuring on average has been between EUR10 million and EUR15 million a year, that would be a normal run rate. I think that if we start to see conditions improve in our legal and regulatory Europe business, we would not need that EUR35 million level of restructuring.

So as conditions there do improve, I would expect that EUR35 million to come down to that more normalized range of between EUR10 million and EUR15 million.
And then on cost savings in health, we certainly have achieved some efficiencies as we moved the two publishing units together. So that will support some expansion in margin likely really as we hit 2016 and the full effect takes hold.

So it’s several million dollars, but not enough to really have an overall impact on Wolters Kluwer’s margins, but certainly will have an impact on the learning, research and practice group.

Okay, clear. Thanks very much.

My first question is if you could maybe explain in a bit more detail what the rationale is for the creation of this new GRC Solutions division in terms of what’s the strategic rationale to combined CLS and FMCS.

And then my second question is if you could split the margin improvement in tax and accounting from efficiencies and the benefit of lower restructurings, please?

Okay. I will take the first and then ask Kevin to talk about the margin improvements in TAA. So the rationale for bringing our corporate legal services and financial compliance group together is that really if you look at what’s happening now in the market for GRC. And GRC stands for governance, risk, and compliance, what you see is both in the legal area and in the financial service area there is really convergence now happening in large financial institutions and large corporations where legal professionals are taking on some elements of managing risk, and if you look broadly in financial institutions there’s a lot of convergence happening.

So we have assets for GRC both in corporate legal services, particularly as we’ve bought Datacert which now has really expanded our GRC footprint there. We also have assets in our financial compliance services group.

So by bringing these two groups together we can better serve our large customers. So the rationale is very much about accelerating revenue growth, it’s not a combination that’s driven by cost efficiencies per se, it’s really about providing our customers with more solutions and a broader suite of applications.

And Konrad, with regard to the margin expansion in tax and accounting, a large part of that improvement was the absence of restructuring spend.

Tax and accounting had about EUR11 million restructuring spend in the half year of 2014 and almost nothing in 2015. So that certainly was behind a large part of the margin improvement, along with the improvement in the software business.

Obviously software businesses have better margins than some of the traditional publishing business, so that also contributed.
Aditya Buddhavarapu - Goldman Sachs - Analyst

So my first question is could you tell us what could be sort of margins we can see on this new GRC division when it is formed? And could you also let us know a bit more on what are the reasons for keeping the transport business and what do you think could be the outlook for that going forward?

Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board

Okay. So the margins of the combined, the GRC Solutions Group, as we indicated in the press release, when we give you our full-year results in February of 2016 we'll of course be reporting under the new lines of business. So you'll see that clearly. But I would indicate to you that the margin of the combined group will be above the Group average for Wolters Kluwer, largely because the margin on our corporate legal services group is higher than the group average today, again driven by the mix of what we have in the portfolio.

On transport services, we did a thorough review of options, we did look at divesting the property, but based on the valuation of the interest that we got, we determined that we have better prospects by continuing to run the business.

If you look at the outlook for the Group, we saw actually a substantial moderation in the rate of decline, if you compare the first-half results of 2014, with the first-half results of 2015, we've also largely now migrated the transactional business to a subscription model and we also have a growing software part of what they do.

So they're really very much on a trajectory of steady improvement in the overall results. I also would remind you that they represent less than 1% of the Group revenues. So a relatively small part of our overall business.

Aditya Buddhavarapu - Goldman Sachs - Analyst

Okay, got it. Thank you.
And the second question is on clinical solutions, you have reported several years of double-digit growth, which was, I think partly driven by the HIT Act in the United States, when I look at the end market, 70% of the US health care system is now equipped with sophisticated EMR systems, so do you think the double-digit growth rate is still achievable in 2016 and beyond. You mentioned Japan, Brazil, and Spain a customer win for instance, or should we expect a comeback to the pre-2010 rates going forward, please?

Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board

Okay, so first tax and accounting, Spain and Italy, we did see a better organic growth in both countries in the tax and accounting group that is largely being driven by increasing the average revenue per customer by selling them more solutions, these products always retain at a high level, so I would say it’s very much driven by a combination of new customer wins and upselling existing customers.

We’ve always had stronger uptake, I would say, in the last -- since the crisis in Europe, on the tax side than we are showing on the legal side. What we need to see on the legal side is we do see growth in our digital solutions and our software, but I will remind you that our legal and regulatory solutions group has still 40% of their revenues coming from print, which is obviously of course not present on the tax and accounting side.

So we continue to need to see the digital transformation continuing in legal and regulatory solutions. We also need to see those customers, the legal customers see more pronounced improvement in small businesses, because if you look at the legal market, this is true also of the tax and accounting market, but the legal market in particular, they are largely serving small- and medium-sized enterprises. So we have to see more economic improvement among those customers so that that trickles down to the legal professional.

So again, we aren’t seeing things get marketably worse in the legal group, but we clearly also don’t see a big change. So I think on the tax and accounting it has more to do with what we are doing than it has to do with market forces. So that was a long answer, sorry about that.

On the clinical solutions side, as you look at that market we’re extremely well-positioned in the solutions that we have, you are right that there’s been a large investment by hospitals in putting in electronic medical record systems, but that actually is helpful to us because now hospitals can turn their attention from installing the EMR to installing our applications.

Our applications work seamlessly within the EMR systems, and frankly add a lot of value to those systems. So we don’t see the penetration of EMRs being now at 70% as negatively, we actually see it very much as a positive.

So, of course, as this unit has gotten bigger, the law of large numbers will eventually come into play on the rate of growth, but we remain quite optimistic about our prospects not just in the US but outside the US.

Andrea Beneventi - Kepler Cheuvreux - Analyst

And if I may, a follow-up question.

Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board

Sure.

Andrea Beneventi - Kepler Cheuvreux - Analyst

Outside the US pool of revenues look smaller to me than the inside US one, so to come back to my initial question, do you think double-digit growth is still sustainable in 2016 and beyond for clinical solutions? Please.

14
Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board

Yes, we don’t give guidance, as you know, on overall revenue growth beyond what we’ve already said. So we don’t, we won’t give you a projection for 2016 and 2017. But again I just come back to say we face a growing market, we have great assets and we’re well-positioned both inside the US and outside the US to continue our growth, yes.

Andrea Beneventi - Kepler Cheuvreux - Analyst

Thank you very much, Nancy.

Operator

(Operator Instructions) Hans Slob, Rabobank.

Hans Slob - Rabobank - Analyst

Two questions. One is on the margin outlook for legal and regulatory. Is it possible to keep the margins stable in 2015, also given the strong CLS performance and restructuring benefits coming through in the second half.

And the second question is on, do you see an up-tick in the subscription contract renewal rates or was the strong organic growth solely driven by higher cyclical sales?

Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board

Yes, I’ll take the first, the second one, Kevin will talk about margin. What you saw on the first half is improvement in the recurring revenues, which you can see in the press release. So while the transactions certainly helped, we are seeing underlying improvement in our recurring business. And that is again very positive, it’s both reflection of the fact that we’re getting good growth out of our digital product lines as well as in the leading high-growth positions which tend to be highly subscription focused. On margin, Kevin?

Kevin Entricken - Wolters Kluwer NV - CFO and Chairman of the Executive Board

Yes, on margin, Hans, on the legal and regulatory group, as we’ve reported, we did see a slight easing of margin in that group, and that is due largely to the restructuring expenses in legal and regulatory solutions.

The majority of the EUR22 million that we reported in restructuring expenses in the first half of the year were in the legal and regulatory solutions group. So that is largely the reason that you see the easing in the margin.

Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board

And Hans, one quick thing, if you look, you can see this on page 30 of the press release, if you look at the 3% organic growth in recurring, that is despite the continued decline in print. So again, that’s why we remain encouraged by that.

Hans Slob - Rabobank - Analyst

Okay, great. Thanks
Operator

There are no further questions. And with that I would like to return the conference call back to the speakers.

Nancy McKinstry - Wolters Kluwer NV - CEO and Chairman of the Executive Board

So thank you very much for joining us today. As I say, we are pleased with the half-year results and we hope to see you all again with our full-year results in next year. Thank you.

Operator

Ladies and gentlemen, this concludes this conference call. Thank you very much for attending. You may now disconnect your lines.