Wolters Kluwer

Wolters Kluwer 2018 Nine-Month Trading Update

October 31, 2018 – Wolters Kluwer, a global leader in professional information, software solutions and services, today released its scheduled 2018 nine-month trading update.

Highlights

- **Full-year 2018 guidance reiterated.**
- **Nine-month revenues up 4% organically.**
  - Digital & services revenues up 6% organically (89% of total revenues).
  - Recurring revenues up 5% organically (79% of total revenues).
- **Nine-month adjusted operating profit up 6% in constant currencies.**
  - Margin improvement includes one-time benefits
- **Nine-month adjusted free cash flow increased in constant currencies.**
- **Net-debt-to-EBITDA ratio 1.7x as of September 30, 2018.**
- **Acquisition of eVision for $145 million, excluding a deferred contingent consideration.**
- **Share buyback program on track to reach €550 million in 2018.**

Nancy McKinstry, CEO and Chairman of the Executive Board, commented:

"In the first nine months of the year we've sustained good organic growth, reflecting consistent investment in our products and favorable market conditions. Our expert solutions are delivering insights, analytics, and productivity to our customers and continue to exhibit above-average growth driven by strong retention, product innovation, and customer additions. We remain focused on integrating acquisitions and fine-tuning our organization to achieve scale economies. I am confident in reiterating our outlook for the full year."

Nine Months to September 30, 2018

Total revenues declined 5% overall due to the impact of exchange rate movements during the first nine months, in particular the U.S. dollar rate (average $1.20/€ compared $1.11/€ in 9M 2017). In constant currencies, nine-month revenues were flat, with organic growth of 4% offset by the effect of net disposals made in the first half. Under IAS18, organic growth would have been 3% (9M 2017: 3%). Revenues from North America (61% of total revenues) grew 5% organically, with Tax & Accounting and Health performing very well in this region. Revenues from Europe (31% of total revenues) increased by 4% organically, driven primarily by our Tax & Accounting division. Asia Pacific & Rest of World (8% of total revenues) recorded organic growth of 3%. Total recurring revenues (79% of total revenues) increased 5% on an organic basis, supported by strong digital subscription growth in Health and Tax & Accounting. Printed book revenues declined 8%, with Health books down in double-digits.

Nine-month adjusted operating profit declined slightly overall, but rose 6% in constant currencies. In addition to the one-time benefits recorded at the half-year, the third quarter included further releases of provisions and accruals, some of which we expect to deploy towards additional restructuring in the fourth quarter. Adjusted operating profit margins for the nine-month period increased year-on-year in Health, Governance Risk & Compliance, and Legal & Regulatory, but declined in Tax & Accounting. Corporate costs declined due to one-time favorable items. Restructuring charges declined in the nine-month period, but are now expected to approximate €25-€30 million for the full year, higher than our previously indicated range (€15-€25 million), following a decision to bring forward certain efficiency initiatives.

Health: Nine-month revenues grew 4% organically, supported by Clinical Solutions which grew 9% organically. This year we have integrated our clinical effectiveness units and organized their sales and marketing teams around customer segments, allowing us to more easily offer broader solutions tailored to customer segment needs. The recent launch of UpToDate Advanced, which supports physicians in choosing guided treatment pathways based on patient-specific input, has been promising. Health Learning, Research & Practice revenues declined 1% organically, with journal growth constrained by the ongoing attrition of print journal subscriptions, and with education and practice content impacted by declines in printed books and continuing medical education.

Tax & Accounting: Nine-month revenues grew 7% organically, driven by software solutions for professionals at firms and in corporations world-wide. Under IAS18 accounting, organic growth would have been 5%, marking an improvement on the prior period (9M 2017: 4%). In the U.S., our cloud-based CCH Axcess software suite continued to perform well, converting existing clients and attracting new firms. In October, we unveiled CCH Axcess iQ, a new module for U.S. firms that leverages artificial intelligence to help professionals respond more efficiently to changes in tax regulations. After a strong first half, printed books and training products slowed in the third quarter, as expected. Tax & Accounting Europe delivered strong performance; Asia Pacific & ROW was impacted mainly by continued weakness in Brazil. Our Corporate Performance Solutions unit drove double-digit organic growth, largely driven by net new customer additions for CCH Tagetik.

Governance, Risk & Compliance: Nine-month revenues grew 4% organically, with recurring revenues up 3%. Under IAS18 accounting, organic growth would have been 2%, in line with the prior period (9M 2017: 2%). Legal Services delivered 5% organic growth supported by new products such as LegalVIEW Bill Analyzer, new customer wins, and by robust growth in CT's transactional volumes. Financial Services revenues increased 2% organically: in banking product compliance, our Lien Solutions unit drove positive organic growth despite a subdued commercial lending environment, while our mortgage compliance solutions saw transactional revenues impacted by lower levels of mortgage refinancing. In banking regulatory compliance, our Finance, Risk & Reporting unit recorded mid-single digit organic growth for its OneSumX software suite, driven by maintenance revenues and revenue recognition of prior year license sales.

Legal & Regulatory: Nine-month organic growth was 1%, slowing modestly compared to the first half, as expected. Legal & Regulatory U.S. achieved positive organic growth, overcoming a tough comparable for U.S. legal textbooks. Information solutions in Europe saw more modest organic growth compared to the first half, largely due to publication schedules. Our Legal & Regulatory Software group, which includes legal workflow and practice management solutions and Enablon environmental, health & safety (EHS) software, achieved double-digit organic growth in the first nine months. In September, we expanded this software group with the acquisition of Legisway, a provider of corporate contract management software, adding 48 employees based in France. As announced on October 30, we also acquired eVision, a world leader in industrial operational risk management based in The Hague, The Netherlands, for $145 million, excluding a deferred contingent consideration of up to $35 million. The combination of eVision and Enablon is well-positioned to respond to growing demand for a solution that provides a holistic process for the control of environmental, health & safety and operational risks.

Cash Flow and Net Debt

Nine-month operating cash flow was broadly stable overall and up in constant currencies, benefitting from favorable timing of working capital movements. Operating cash conversion was 96% (9M 2017: 93%). For the full year, we continue to expect cash conversion to be stable at around 100% (FY 2017: 100%). Nine-month adjusted free cash flow was broadly stable overall and up 7% in constant currencies, benefitting from favorable timing. Corporate income tax paid increased, as expected, due to the full utilization of remaining U.S. deferred tax assets and taxable disposal gains during the first half. We continue to expect full-year adjusted free cash flow to be in our guidance range for 2018: €725-€750 million in constant currencies.

Total net dividends paid amounted to €262 million in the first nine months comprising the 2017 final dividend and the 2018 interim dividend. Divestiture proceeds, net of cash disposed, amounted to €304 million and relate to disposals made in the first half of the year (Corsearch, ProVation, Medicom, and smaller assets). Acquisition spending, net of cash acquired and deal-related costs, amounted to €43 million in the first nine months, primarily in relation to the acquisitions of Firecracker in March 2018 and Legisway in September 2018. Share repurchases in the nine month period totalled €395 million. Net debt was €2.0 billion and twelve months' rolling net-debt-to-EBITDA was 1.7x as of September 30, 2018 (1.7x at year-end 2017).

The diluted weighted average share count in the nine-month period was 280.2 million shares.

Share Buyback Program

We are on track and committed to complete €550 million in share buybacks by year-end 2018, as previously indicated. In the year up to and including October 29, 2018, Wolters Kluwer has spent €450 million on share repurchases (9.6 million ordinary shares; average price €46.96). Repurchased shares are added to and held as treasury shares and are used for capital reduction purposes or to meet obligations arising from share based incentive plans. On October 2, 2018, we completed a capital reduction by cancelling 10.6 million treasury shares. This exercise was approved by shareholders at the Annual General Meeting in April 2018. Following the share cancellation, the number of issued ordinary shares is 279.7 million, of which currently 6.6 million are held in treasury.

Full-Year 2018 Outlook (Reflects IFRS 15 Accounting Standard, Effective January 1, 2018)

Our overall guidance for full-year 2018 is shown in the table below and is unchanged.We expect to deliver solid organic growth and margin improvement. We expect to achieve an increase in diluted adjusted EPS in constant currencies and improvement in return on invested capital (ROIC).

Full-Year 2018 Outlook

Performance indicators	2018 Guidance	2017 (Under IFRS 15)
Adjusted operating profit margin	22.5%-23.0%	22.2%
Adjusted free cash flow	€725-€750 million	€746 million
ROIC	10.0%-10.5%	9.8%
Diluted adjusted EPS	10%-15% growth	€2.22

Guidance for adjusted free cash flow and diluted adjusted EPS is in constant currencies (€/$ 1.13). Guidance for EPS growth assumes share repurchases of €550 million in 2018. Adjusted operating profit margin and ROIC are in reported currencies and assume an average EUR/USD rate around €/$ 1.20.

Our guidance reflects the new IFRS 15 accounting standard, which became effective on January 1, 2018.

Our guidance is based on constant exchange rates. In 2017, Wolters Kluwer generated more than 60% of its revenues and adjusted operating profit in North America. As a rule of thumb, based on our 2017 currency profile, each 1 U.S. cent move in the average €/$ exchange rate for the year causes an opposite change of approximately two euro cents in diluted adjusted EPS.

Restructuring costs are included in adjusted operating profit. Restructuring costs are now expected to be in the range of €25-€30 million for 2018 (2017: €33 million). Previously, we had acticipated a range of €15-€25 million for 2018.

We continue to expect adjusted net financing costs of approximately €70 million (2017: €109 million), excluding the impact of exchange rate movements on currency hedging and intercompany balances. The decline in net financing costs compared to the prior year reflects the redemption of a €750 million, 6.375% senior Eurobond that matured in April 2018. We continue to expect the benchmark effective tax rate to be in the range of 25%-26% for full year 2018.

Capital expenditure is expected to be in the range of 5%-6% of total revenues, excluding real estate disposals (FY 2017: 4.8%, or 5.0% excluding real estate disposals). We anticipate a cash conversion ratio of approximately 100% in 2018 (FY 2017: 100%). Our guidance includes completed acquisitions and disposals but assumes no additional significant change to the scope of operations.

2018 Outlook by Division

Health: For the full year, we expect Health to deliver good organic growth, in line with first half trend. We now expect an improvement in the division's adjusted operating profit margin, as a result of a one-time accrual release and a more gradual ramp-up in sales & marketing investment.

Tax & Accounting: For the full year, we continue to expect improved organic growth compared to 2017. We now anticipate a decline in the division's adjusted operating profit margin for the full year, as we deploy one-time benefits recorded in the first half towards additional restructuring in the fourth quarter and increased investment in sales & marketing.

Governance, Risk & Compliance: We continue to expect good organic growth and an improved margin for the full year, driven by efficiency savings and the effect of disposals.

Legal & Regulatory: The division faces a challenging comparable in the fourth quarter, and as a result, we continue to expect organic growth to be flat to slightly positive for the full year 2018. We continue to expect the full-year margin to be stable for the full year, as the effect of portfolio re-shaping, efficiency programs, and one-time benefits are offset by increased wages, product investment, and restructuring.

About Wolters Kluwer

Wolters Kluwer (WKL) is a global leader in professional information, software solutions, and services for the health, tax & accounting, finance, risk & compliance, and legal 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 2017 annual revenues of €4.4 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 19,000 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 about our products and organization, visit www.wolterskluwer.com and follow us on Twitter, Facebook, LinkedIn, and YouTube.

Financial Calendar 2019

February 20, 2019	Full-Year 2018 Results
March 6, 2019	Publication of 2018 Annual Report
April 18, 2019	Annual General Meeting of Shareholders
April 24, 2019	Ex-dividend date: 2018 final dividend
April 25, 2019	Record date: 2018 final dividend
May 8, 2019	First-Quarter 2019 Trading Update
May 16, 2019	Payment date: 2018 final dividend ordinary shares
May 23, 2019	Payment date: 2018 final dividend ADRs
July 31, 2019	Half-Year 2019 Results
August 27, 2019	Ex-dividend date: 2019 interim dividend
August 28, 2019	Record date: 2019 interim dividend
September 19, 2019	Payment date: 2019 interim dividend
September 26, 2019	Payment date: 2019 interim dividend ADRs
November 1, 2019	Nine-Month 2019 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.

Elements of this press release contain or may contain inside information about Wolters Kluwer within the meaning of Article 7(1) of the Market Abuse Regulation (596/2014/EU).