Wolters Kluwer

Wolters Kluwer 2017 Half-Year Report

July 28, 2017 – Wolters Kluwer, a global leader in information services and solutions for professionals, today released its half-year 2017 results.

Highlights

- **Full-year outlook reiterated.**
- **Revenues up 4% in constant currencies and up 2% organically.**
  - Digital & services revenues up 4% organically (88% of total revenues).
  - Recurring revenues grew 4% organically (78% of total revenues).
  - All main geographic regions delivered positive organic growth.
- **Adjusted operating profit margin up 70 basis points to 20.7%.**
- **Diluted adjusted EPS €0.99, up 10% in constant currencies.**
- **Adjusted free cash flow €257 million, up 9% in constant currencies.**
- **Net-debt-to-EBITDA 1.9x as of June 30, 2017, compared to 1.7x a year ago.**
- **Interim dividend of €0.20 per share, to be paid in September.**
- **Completed disposal of Transport Services; agreed sale of certain U.K. publishing assets.**
- **Share buyback increased by €100 million to mitigate dilution following recent disposals.**
  - €150 million completed year to date; expect buyback to total up to €300 million in 2017.

Interim Report of the Executive Board

Nancy McKinstry, CEO and Chairman of the Executive Board, commented:
"Our first half performance was in line with our expectations and we remain on course to meet our full year guidance. Non-recurring revenues were subdued, as expected, but subscription and other recurring revenues sustained 4% organic growth. Organic investment continues and we are bringing to market some exciting new expert solutions to support our customers. We improved our operating margin through our ongoing efficiency initiatives and we are making progress on integrating recent acquisitions."

Key Figures Half-Year 2017:

Six months ended June 30

€ million (unless otherwise stated)	**2017**	**2016**	**Δ**	**Δ CC**	**Δ OG**
Business performance - benchmark figures					
Revenues	2,174	2,042	+6%	+4%	+2%
Adjusted operating profit	450	408	+10%	+7%	+6%
Adjusted operating profit margin	20.7%	20.0%			
Adjusted net profit	287	260	+11%	+7%	
Diluted adjusted EPS (€)	0.99	0.88	+13%	+10%	
Adjusted free cash flow	257	229	+12%	+9%	
Net debt	2,257	1,814	+24%		
IFRS results					
Revenues	2,174	2,042	+6%		
Operating profit	396	317	+25%		
Profit for the period	266	199	+33%		
Diluted EPS (€)	0.92	0.67	+36%		
Net cash from operating activities	342	326	+4%		

Δ: % Change; Δ CC: % Change constant currencies (€/$ 1.11); Δ OG: % Organic growth. Benchmark (adjusted) figures are performance measures used by management. See Note 5 for a reconciliation from IFRS to benchmark figures. IFRS: International Financial Reporting Standards as adopted by the European Union.

Full-Year 2017 Outlook

Our guidance for full year 2017 is provided in the table below. We expect to deliver solid organic growth, to drive further margin improvement, and to grow diluted adjusted EPS at a mid-single-digit rate in constant currencies.

Full-Year 2017 Outlook

Performance indicators	Guidance
Adjusted operating margin	22.5%-23.0%
Adjusted free cash flow	€675-€725 million
ROIC	9.5%-10.0%
Diluted adjusted EPS	Mid-single-digit growth

Guidance for adjusted free cash flow and diluted adjusted EPS is in constant currencies (€/$ 1.11). Guidance for EPS growth includes an assumption regarding share buybacks as announced for 2017. Guidance for adjusted operating profit margin and ROIC is in reported currency and assumes an average EUR/USD rate in the range of EUR/USD 1.05/1.10.

Our guidance for adjusted free cash flow and diluted adjusted EPS is based on constant exchange rates. In 2016, Wolters Kluwer generated more than 60% of its revenues and adjusted operating profit in North America. As a rule of thumb, based on our 2016 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. We expect these costs to return to normal levels of €15-€25 million this year (2016: €29 million). We expect adjusted net financing costs of approximately €110 million, excluding the impact of exchange rate movements on currency hedging and intercompany balances. We expect the benchmark effective tax rate to increase to approximately 27.5%. Capital expenditure is expected to be in the range of 5%-6% of total revenues (2016: 5.2%) with the cash conversion ratio anticipated at approximately 95%.

Our guidance assumes no significant further change to the scope of operations. We may make further disposals which can be dilutive to margins and earnings in the near term.

Full-Year 2017 Outlook by Division

Health: we expect good organic growth for the full-year, comparable to 2016, and improved margins driven by efficiency savings and the ongoing mix shift towards Clinical Solutions.

Tax & Accounting: we expect solid organic growth, in line with 2016 and reflecting normal seasonal selling patterns. The full-year margin is expected to be stable.

Governance, Risk & Compliance: we expect full-year organic growth to be similar to 2016, with growth to be second-half-weighted due to expected timing of larger contracts and a challenging first-half comparable for non-recurring revenues. The full-year adjusted operating profit margin is expected to increase due to operating efficiencies.

Legal & Regulatory: we expect organic revenue decline, in line with 2016 trend, due to more moderate growth in digital products following a large customer migration in 2016. The full-year margin is expected to be stable.

Strategic Priorities 2016-2018

On February 24, 2016, we announced our strategic priorities for 2016-2018. This strategic plan ("*Growing our Value*") prioritizes expanding our market coverage, increasing our focus on expert solutions, and driving further operating efficiencies and employee engagement. Our strategy aims to sustain and, in the long run, further improve our organic growth rate, margins and returns as we continue to focus on growing value for customers, employees and shareholders. Our priorities are:

- **Expand market coverage:** We will continue to allocate the majority of our capital towards leading growth businesses and digital products, and extend into market adjacencies and new geographies where we see the best potential for growth and competitive advantage. Expanding our market reach will also entail allocating funds to broaden our sales and marketing coverage in certain global markets. We intend to support this organic growth strategy with value-enhancing acquisitions whilst continuing our program of non-core disposals.
- **Deliver expert solutions:** Our plan calls for increased focus on expert solutions that combine deep domain knowledge with specialized technology and services to deliver expert answers, analytics and productivity for our customers. To support digital growth across all divisions, we intend to accelerate our ongoing shift to global platforms and to cloud-based integrated solutions that offer mobile access. Our plan is to also expand our use of new media channels and to create an all-round, rich digital experience for our customers. Investment in new and enhanced products will be sustained in the range of 8-10% of total revenues in coming years.
- **Drive efficiencies and engagement:** We intend to continue driving scale economies while improving the quality of our offerings and agility of our organization. These operating efficiencies will help fund investment and wage inflation, and support a rising operating margin over the long term. Through increased standardization of processes and technology planning, and by focusing on fewer, global platforms and software applications, we expect to free up capital to reinvest in product innovation. Supporting this effort are several initiatives to foster employee engagement.

Leverage Target and Financial Policy

Wolters Kluwer uses its cash flow to invest in the business organically or through acquisitions, to maintain optimal leverage, and provide returns to shareholders. We regularly assess our financial position and evaluate the appropriate level of debt in view of our expectations for cash flow, investment plans, interest rates, and capital market conditions.

While we may temporarily deviate from our leverage target at times, we continue to believe that, in the longer run, a net-debt-to-EBITDA ratio of around 2.5x remains appropriate for our business given the high proportion of recurring revenues and resilient cash flow.

As of June 30, 2017, our net-debt-to-EBITDA ratio was 1.9x (HY 2016: 1.7x).

Dividend Policy and 2017 Interim Dividend

Wolters Kluwer has a progressive dividend policy under which the company aims to increase the dividend per share each year. Under this progressive dividend policy, we remain committed to increasing the total dividend per share each year, with the annual increase dependent on our financial performance, market conditions, and our need for financial flexibility.

As announced in February 2017, the interim dividend for 2017 was set at 25% of the prior year's total dividend, or €0.20 per share. This interim dividend will be distributed on September 19, 2017, or

September 26, 2017, for holders of Wolters Kluwer ADRs. Shareholders can choose to reinvest both interim and final dividends by purchasing additional Wolters Kluwer shares through the Dividend Reinvestment Plan (DRIP) administered by ABN AMRO Bank NV.

Share Buyback Program 2016-2018

Wolters Kluwer has a policy to offset the dilution caused by our annual performance share issuance with share repurchases.

On February 24, 2016, we announced our intention to repurchase up to €600 million in shares over the three-year period 2016-2018. This amount includes repurchases made to offset performance share issuance. We expected to spend approximately €200 million in each year. In 2016, we completed €200 million of share repurchases under this program. In 2017 to date, we have executed €150 million of share repurchases (4.0 million shares) under this program.

Following the completion of the disposal of Transport Services on June 30 and the announcement today of our agreement to divest certain U.K. publishing assets, we now intend to spend an additional €100 million on share repurchases during 2017 in order to mitigate the earnings dilution expected from these two divestments. As a result, we now expect to spend up to €300 million on share buybacks in 2017 (of which €150 million has already been completed). The three-year share buyback program (2016-2018) therefore now totals up to €700 million, of which €350 million has already been completed in 2016 and 2017.

For the period starting July 31, 2017 up to and including October 30, 2017, we have engaged a third party to execute share buybacks for a maximum of €100 million on our behalf, within the limits of relevant laws and regulations (in particular Regulation (EU) 596/2014) and Wolters Kluwer's Articles of Association. These shares will be used for capital reduction purposes or to meet obligations arising from share-based incentive plans.

Assuming global economic conditions do not deteriorate substantially, we believe this level of cash return leaves us ample headroom for investment in the business, including acquisitions.

Cancellation of Ordinary Shares

Repurchased shares are added to and held as treasury shares. At the 2017 Annual General Meeting, shareholders approved a resolution to cancel for capital reduction purposes any or all ordinary shares held in treasury or to be acquired by the company as authorized by shareholders, up to a maximum of 10% of issued share capital on April 20, 2017. As authorized by shareholders, the Executive Board has determined the number of ordinary shares to be cancelled is 11.6 million. Wolters Kluwer intends to cancel these shares in the second half of 2017. Part of the shares held in treasury will be retained and used to meet future obligations under share-based incentive plans.

Wolters Kluwer

Half-Year 2017 Results

Benchmark Figures

Group revenues rose 6% overall and 4% in constant currencies to €2,174 million. Exchange rate movements had a positive impact on revenues as the effect of a stronger U.S. dollar during the first six months of 2017 outweighed the effect of the devaluation of the British pound. The net effect of acquisitions and disposals completed in 2016 and first half 2017 was to add 2% to revenues. Organic revenue growth, which excludes both the impact of exchange rate movements and the effect of acquisitions and divestitures, was 2%, slowing modestly as expected from the comparable period (HY 2016: 3%).

Revenues from North America (63% of total revenues) grew 3% organically (HY 2016: 4%), slowing in Health and Governance, Risk & Compliance, but accelerating in Tax & Accounting and Legal & Regulatory. Revenues from Europe (30% of total revenues) grew 1% organically (HY 2016: 1%), with Health and Tax & Accounting accelerating, but Governance, Risk & Compliance and Legal & Regulatory slowing in this region. Revenues from Asia Pacific and Rest of World (7% of total revenues) grew 1% organically (HY 2016: 2%), as slower growth in Tax & Accounting offset stronger growth in all other divisions.

Adjusted operating profit increased 10% overall and 7% in constant currencies to €450 million. The adjusted operating profit margin increased 70 basis points to 20.7% (HY 2016: 20.0%), driven by Health and Governance, Risk & Compliance where margins benefitted from efficiency savings, operational gearing, and favorable timing of expenses.

Restructuring costs were €10 million (HY 2016: €8 million). The most significant part was incurred in Legal & Regulatory, while the remainder was spread across the other three divisions. Restructuring costs increased in Tax & Accounting and in Governance, Risk & Compliance relative to the prior year.

Adjusted net financing costs increased to €55 million (HY 2016: €51 million) reflecting the issuance of a new €500 million 10-year Eurobond in March 2017 and the revaluation of intercompany balances at period-end exchange rates.

Adjusted profit before tax was €395 million (HY 2016: €357 million), an increase of 8% in constant currencies. The benchmark effective tax rate on adjusted profit before tax was 27.3% (HY 2016: 27.2%). Adjusted net profit was €287 million (HY 2016: €260 million), an increase of 7% in constant currencies.

Diluted adjusted EPS was €0.99, up 13% overall and up 10% in constant currencies, largely reflecting the growth in net profit and a 2% reduction in diluted weighted average shares outstanding due to the share buyback program.

IFRS Reported Figures

Reported operating profit increased 25% to €396 million (HY 2016: €317 million), reflecting the growth in adjusted operating profit and a €52 million net gain on divestments, partly offset by fair value changes in contingent considerations and higher amortization of acquired intangibles.

The net gain on divestments of €52 million (HY 2016: €1 million loss) largely relates to the disposal of our Transport Services unit in June 2017.

Reported financing results amounted to a cost of €58 million (HY 2016: €54 million cost) including the financing component of employee benefits of €3 million (HY 2016: €3 million).

Profit before tax increased 28% to €338 million (HY 2016: €263 million). The reported effective tax rate declined to 21.2% (HY 2016: 24.4%), largely due to the tax-exempt nature of the disposal gain.

Total reported net profit for the year increased 33% to €266 million (HY 2016: €199 million) and diluted earnings per share increased 36% to €0.92 (HY 2016: €0.67).

Cash Flow

Adjusted operating cash flow was €441 million (HY 2016: €366 million), up 18% in constant currencies. The cash conversion ratio was 98% (HY 2016: 90%), due to lower working capital outflows and capital expenditures. Working capital outflows reduced to €9 million (HY2016: €25 million), largely timing related. Capital expenditures fell to €96 million (HY 2016: €101 million) and included a €12 million one-time disposal related to our real estate consolidation program. Depreciation and amortization of other intangible assets increased to €96 million (HY 2016: €84 million).

Adjusted free cash flow was €257 million, up 9% in constant currencies, with the growth in adjusted operating cash flow tempered by higher corporate income taxes paid. Paid financing costs were stable at €81 million (HY 2016: €81 million). Corporate income taxes paid amounted to €108 million (HY 2016: €60 million), the prior year having benefitted from favorable timing of payments. The net change in restructuring provisions of €8 million reflects €15 million cash spend on efficiency programs and net additions to provisions of €7 million.

Dividends paid to shareholders totaled €172 million reflecting the final dividend over 2016.

First half acquisition spending, net of cash acquired and including costs, amounted to €303 million (HY 2016: €32 million), largely relating to the acquisition of Tagetik in Tax & Accounting in April 2017. Net cash proceeds from divestitures was €77 million, mainly reflecting the sale of our Transport Services unit in June 2017.

During the first six months, we spent €136 million in cash on share buybacks. As of July 27, 2017, a total of €150 million of share buybacks has been completed this year.

Net Debt and Leverage

Net debt at June 30, 2017 was €2,257 million, an increase of €330 million from December 31, 2016, reflecting the payment of the final dividend (€172 million), share buybacks (€136 million), and acquisition spending (€300 million), mainly relating to Tagetik.

As of June 30, 2017, the net-debt-to-EBITDA ratio was 1.9x (HY 2016: 1.7x)

About Wolters Kluwer

Wolters Kluwer is a global leader in information services and solutions for professionals in the areas of health, tax & accounting, finance, risk and compliance, and legal. 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 2016 annual revenues of €4.3 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

August 28, 2017	Ex-dividend date: 2017 interim dividend
August 29, 2017	Record date: 2017 interim dividend
September 19, 2017	Payment date: 2017 interim dividend ordinary shares
September 26, 2017	Payment date: 2017 interim dividend ADRs
November 1, 2017	Nine-Month 2017 Trading Update
February 21, 2018	Full-Year 2017 Results

Media
Annemarije Pikaar
Corporate Communications
t + 31 (0)172 641 470
info@wolterskluwer.com

Investors/Analysts
Meg Geldens
Investor Relations
t + 31 (0)172 641 407
ir@wolterskluwer.com

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).