Wolters Kluwer

Wolters Kluwer First-Quarter 2018 Trading Update

May 9, 2018 – Wolters Kluwer, a global leader in professional information, software solutions, and services, today released its scheduled first-quarter 2018 trading update.

Highlights

- **Full-year 2018 guidance reaffirmed.**
- **First-quarter revenues up 2% in constant currencies and up 4% organically.**
  - Digital & services revenues grew 5% organically.
  - Recurring revenues up 5% organically.
  - All main geographic regions delivered good organic growth.
- **First-quarter adjusted operating profit margin up slightly.**
- **First-quarter adjusted free cash flow declined slightly in constant currencies.**
- **Net-debt-to-EBITDA ratio 1.4x as of March 31, 2018.**
- **Share buyback program on track: €200 million executed as of May 7, 2018. Signed third-party mandate committing us to a further €100 million in repurchases by July 30, 2018.**

Nancy McKinstry, CEO and Chairman of the Executive Board, commented:
"We have had a good start to the year, broadly in line with our expectations. The group remains focused on delivering expert solutions that support our customers' workflow and on expanding the reach of our key global products. We are making progress on fostering the development of recently acquired businesses and have successfully completed several non-core disposals in the first quarter. Across the group, efficiency savings are helping to fund investment and support margins. I am pleased to confirm we are on track to meet our full-year guidance."

First Quarter Developments

First quarter revenues declined 8% in reporting currency, reflecting a 10% impact from currency due to the depreciation of the U.S. dollar against the Euro (average €/$ 1.23 in 1Q 2018 vs. €/$ 1.07 in 1Q 2017). Excluding the effect of currency, revenues increased 2%, with organic growth of 4% partly offset by the effect of net disposal activity. Subscription and other recurring revenues grew 5% organically. The first-quarter adjusted operating profit margin increased slightly compared to a year ago. Increased investment in product development, the inclusion of Tagetik (acquired April 2017), and the effect of exchange rate movements were offset by the benefits of efficiency programs.

Under IFRS 15, certain revenues and costs are recognized more evenly throughout the year and over the life of the related contracts. The accounting standard has minimal impact on group revenues and profits and has no impact on adjusted free cash flow. Had we continued to apply the IAS 18 standard, organic growth would have been 4% and the adjusted operating profit margin would have declined slightly in the first quarter.

Health achieved mid-single-digit organic growth, as expected, and improved its adjusted operating profit margin. Clinical Solutions delivered double-digit organic growth and commenced the launch of UpToDate Advanced, a next-generation decision tool that provides guided, patient-specific pathways. Health Learning, Research & Practice revenues declined on an organic basis, primarily due to a fall in print book revenues following higher-than-expected returns. In the first quarter, we reduced our interest in Medicom China from 55% to 45%. As a result, Medicom (2017 revenues €8 million) will now be deconsolidated and treated as an equity-accounted investee starting in April 2018. For the full year, we continue to expect Health to deliver good organic growth, similar to prior year levels, and a stable adjusted operating profit margin. We now expect the first half adjusted operating profit margin to improve (previously expected decline) due to the timing of investments and savings.

Tax & Accounting recorded mid-single-digit organic growth, as expected. The adjusted operating profit margin declined, as expected, due to the inclusion of Tagetik and due to increased investment in product development. Across the division, software solutions for professionals and corporates saw sustained high single-digit organic growth. Print formats, bank products and other services showed improvement compared to a year ago. For the full year, we continue to expect improved organic growth and a stable adjusted operating profit margin. We continue to expect the first half adjusted operating profit margin to decline due to the timing of investments.

Governance, Risk & Compliance revenues decreased by 18% overall due to recent disposal activity and the impact of currency. Organic growth was 3% in the quarter. Recurring revenues saw modest organic growth. Legal Services transactional revenues were strong in the quarter, while Financial Services transactional revenues declined as expected. Other non-recurring revenues, which include software license and implementation fees, posted high single-digit organic growth, benefitting from 2017 sales performance. For the full year, we continue to expect good organic growth and a higher adjusted operating profit margin driven by operating efficiencies and portfolio reshaping.

Legal & Regulatory revenues declined 7% overall due to recent disposals and the impact of currency. On an organic basis, the division recorded low single-digit organic growth, reflecting portfolio changes, accelerated organic growth at Enablon (included in organic since mid-2017), and a favorable comparison base. The division faces more challenging comparables in the second half, and as a result, we continue to expect the full year to see flat underlying revenue and a stable adjusted operating profit margin.

Cash Flow and Net Debt

First quarter cash conversion benefitted from favorable timing of working capital movements. Adjusted free cash flow declined 3% in constant currencies, reflecting higher cash tax and financing costs paid. First quarter net acquisition spending, net of cash acquired and including costs, was €12 million, mainly associated with earnouts and the acquisition of Firecracker by the Health division. Disposal proceeds amounted to €299 million, including deal expenses and net of cash disposed. The divestments included Corsearch, certain Swedish assets, ProVation, and a portion of our interest in Medicom.

As of March 31, 2018, net debt was €1.7 billion and net-debt-to-twelve-months-rolling-EBITDA ratio was 1.4x. In April, we used our cash balances to redeem the €750 million, 6.375% Eurobond which matured on April 10, 2018.

Dividends and Share Buybacks

At the Annual General Meeting in April, shareholders approved a total dividend of €0.85. As a result, the final dividend will be €0.65 per share, to be paid on May 17, 2018 (ADRs: May 24, 2018). As announced in February, starting in 2018, the interim dividend will be set at 40% of the prior year total dividend (previously 25%).

As of March 31, 2018, the number of shares outstanding was 279.7 million. In the year to date, up to and including May 7, 2018, Wolters Kluwer has repurchased 4.7 million ordinary shares for a total consideration of €200 million. For the period starting May 10, 2018, up to and including July 30, 2018, 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. Our intention remains to execute up to €400 million of share buybacks in 2018, including the proceeds from the disposal of Corsearch and certain Swedish assets. In addition, we also intend to deploy the proceeds from the sale of ProVation (completed March 9, 2018) towards additional share repurchases of €150 million in 2018 and 2019. Share repurchases will be used for capital reduction purposes or to meet obligations arising from share-based incentive plans.

Full-Year 2018 Outlook

We reaffirm our full-year 2018 guidance. We expect to deliver solid organic growth and margin improvement for the full-year. We expect to achieve an increase in full-year diluted adjusted EPS in constant currencies and improvement in return on invested capital (ROIC). The first half adjusted operating profit margin is now expected to be broadly stable in reporting currency, reflecting the phasing of investments and savings.

Full-Year 2018 Outlook

Performance indicators	2018 Guidance	2017 (Restated for 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 for up to €400 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. When applied to 2017, under the method adopted by Wolters Kluwer, the adjusted operating profit margin would be 22.2%, diluted adjusted EPS €2.22, and ROIC 9.8%. IFRS 15 has no impact on adjusted free cash flow.

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. We currently expect restructuring costs of €15-€25 million in 2018 (2017: €33 million). We 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 expected reduction in net financing cost reflects the redemption of our €750 million, 6.375% Eurobond which matured on April 10, 2018. We expect the benchmark effective tax rate to be approximately 26%, subject to further interpretation and clarification of the changes introduced in the U.S. Tax Cuts and Jobs Act.

Capital expenditure is expected to be in the range of 5%-6% of total revenues (2017: 4.8%, including benefit from real estate disposals). We anticipate a cash conversion ratio of approximately 100% in 2018. Our guidance assumes no additional significant change to the scope of operations, although we may make further disposals or acquisitions which can have an effect on margins and earnings in the near term.

About Wolters Kluwer

Wolters Kluwer is a global leader in information, software solutions, and services for professionals in the health, tax and accounting, finance, risk and 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

May 17, 2018	Payment date: 2017 final dividend ordinary shares
May 24, 2018	Payment date: 2017 final dividend ADRs
August 1, 2018	Half-Year 2018 Results

August 27, 2018	Ex-dividend date: 2018 interim dividend
August 28, 2018	Record date: 2018 interim dividend
September 19, 2018	Payment date: 2018 interim dividend
September 26, 2018	Payment date: 2018 interim dividend ADRs
October 31, 2018	Nine-Month 2018 Trading Update
February 20, 2019	Full-Year 2018 Results

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Forward-looking Statements

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.