

Wolters Kluwer First-Quarter 2019 Trading Update

May 8, 2019 - Wolters Kluwer, a global leader in professional information, software solutions, and services, today released its scheduled first-quarter 2019 trading update.

Highlights

- Full-year 2019 guidance reiterated.
- First-quarter revenues up 4% in constant currencies and up 4% organically.
 - Digital & services revenues up 5% organically.
 - Recurring revenues up 5% organically.
- First-quarter adjusted operating profit margin improved.
- First-quarter adjusted free cash flow declined in constant currencies, as expected.
- Net-debt-to-EBITDA ratio 1.7x as of March 31, 2019.
- Progress on 2019 share buyback: €40 million completed in the year to date. Signed third-party mandate committing us to a further €75 million in repurchases by July 29, 2019.
- Established €1 billion Euro Commercial Paper program.
- Divested stake in Austrian unit and acquired CLM Matrix in the U.S.

Nancy McKinstry, CEO and Chairman of the Executive Board, commented: *“The year has started well, overall in line with our expectations. We are focused on our 2019-2021 strategic priorities, including making investments to scale our expert solutions and to enrich our information products and services to deliver benefits for customers. We have several important initiatives underway to drive operational agility, from improving our go-to-market to modernizing our technology infrastructure. I am confident in reaffirming our full-year guidance.”*

First Quarter Developments

First quarter revenues increased 9% in reporting currency, partly reflecting a favorable 5% impact from currency due to the strength of the U.S. dollar against the euro. Excluding the effect of exchange rate movements, revenues increased 4% in constant currencies, driven by organic growth of 4%. The effect of 2018 disposals (in Health) on the quarter’s revenues broadly offset the effect of 2018 acquisitions (mainly in Legal & Regulatory). Subscriptions and other recurring revenues grew 5% organically. The first-quarter adjusted operating profit margin increased compared to a year ago, driven by the Tax & Accounting division.

Health revenues declined 1% in constant currencies as a result of the divestment of ProVation Medical (March 9, 2018) and the deconsolidation of Medicom (effective April 1, 2018). Revenues increased 5% organically, driven by solid organic growth in Clinical Solutions, despite a challenging comparable, and improved organic growth in Health Learning, Research & Practice. For the full year, we continue to expect organic growth to be in line with 2018 and the adjusted operating profit margin to decline year on year due to the absence of last year’s one-time benefits and due to increased investment in sales & marketing.

Tax & Accounting revenues increased 5% in constant currencies, reflecting organic growth of 5%. Growth was driven by software solutions for professionals and corporates, while content-oriented products and services were weaker compared to a year ago. For the full year, we continue to expect organic growth to moderate from 2018 levels and the adjusted operating profit margin to improve on the back of lower restructuring costs and the absence of prior year net one-time charges.

Governance, Risk & Compliance revenues increased 4% in constant currencies, reflecting organic growth of 4%. Recurring revenues picked up momentum, while trends in transactional and other non-recurring revenues were mixed. For the full year, we continue to expect recurring revenues to show improved organic growth and transactional revenue trends to moderate. We continue to expect the full year adjusted operating profit margin to improve due to efficiency initiatives.

Legal & Regulatory revenues increased 7% in constant currencies, reflecting the acquisitions of eVision (October 30, 2018) and Legisway (September 28, 2018). Organic growth was 3% in the quarter, driven by the division's software solutions, including Enablon. For the full year, we continue to expect organic growth to be in line with 2018. We expect the adjusted operating profit margin to decline due to an absence of prior year one-time benefits, higher investments, and the full twelve-month inclusion of eVision.

Cash Flow and Net Debt

First quarter cash conversion declined, as expected, compared to a year ago due to net working capital outflows, the comparable period having benefitted from a working capital inflow due to favorable timing of payments. As a result, adjusted free cash flow also declined in the quarter. Cash taxes and financing costs were broadly stable compared to a year ago. Net acquisition spending in the quarter was €1 million. Net disposal proceeds amounted to €13 million in the quarter and were related to the sale of certain Swedish publishing assets in January 2018.

Net debt stood at €2,191 million on March 31, 2019, a modest reduction compared to €2,249 million at December 31, 2018. (Under IFRS 16, year-end net debt is restated to include lease liabilities, now recognized as financial debt). Net-debt-to-EBITDA, based on rolling twelve months' EBITDA, was 1.7x. (Under IFRS 16, depreciation of right-of-use assets is added back to derive EBITDA).

As of March 31, 2019, the number of issued ordinary shares outstanding (excluding 7.9 million shares held in treasury) was 271.8 million.

Subsequent Events

At the Annual General Meeting on April 18, 2019, shareholders approved a 2018 total dividend of €0.98. As a result, the 2018 final dividend will be €0.64 per share, to be paid on May 16, 2019 (ADRs: May 23, 2019). As previously indicated, the 2019 interim dividend will again be set at 40% of the prior year total dividend. This will result in an interim payment of €0.39 per share, to be paid on September 19, 2019 (ADRs: September 26, 2019).

We made progress on the share buyback program of up to €250 million which we previously announced for 2019. In 2019, up to and including May 6, we have completed repurchases of €40 million (667,766 ordinary shares at an average share price of €59.89). For the period starting May 9, 2019, up to and including July 29, 2019, we have now engaged a third party to execute a maximum of €75 million in share buybacks on our behalf, within the limits of relevant laws and regulations (in particular Regulation (EU) 596/2014) and Wolters Kluwer's Articles of Association. Share repurchases will be used for capital reduction purposes and to meet obligations arising from share-based incentive plans.

On May 2, 2019, we signed and completed the sale of our 40% interest in Austrian information services business, MANZ'sche Verlags- und Universitätsbuchhandlung GmbH, for €17 million in cash. The transaction will have an immaterial impact on adjusted earnings and will result in a (non-taxable) net capital gain of €7 million. Proceeds will be used for general corporate purposes.

On May 7, 2019, Wolters Kluwer Governance, Risk & Compliance acquired 100% of the shares of CLM Matrix, a fast-growing provider of contract lifecycle management software, for \$35 million, excluding a deferred contingent consideration of up to \$7 million. CLM Matrix will become part of GRC's ELM Solutions unit, a market leader in legal spend and matter management software. The acquisition will enable GRC to offer a more comprehensive suite of solutions to address the growing needs of corporate legal operations. CLM Matrix had 2018 revenues of \$3 million (un-audited) and currently has around 20 full-time-equivalent employees. The transaction is expected to have an immaterial impact on adjusted EPS in the first full year and to generate a return on investment above our weighted average cost of capital (8%) within 3 to 5 years.

On May 7, 2019, we established a Euro Commercial Paper (ECP) program, under which the company may issue unsecured, short-term debt (ECP notes) for a maximum of €1.0 billion. The program provides flexible funding for short-term cash needs at attractive rates.

Full-Year 2019 Outlook

Our guidance for full-year 2019 is reaffirmed. We expect to deliver another year of solid organic growth, supported by all four divisions, and an improvement in adjusted operating profit margin, supported by Tax & Accounting and Governance, Risk & Compliance. Due to the phasing of revenues and costs and the effect of one-time items recorded in the second quarter of 2018, the first half 2019 adjusted operating profit margin is expected to decline modestly.

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

Note: Guidance for adjusted operating profit margin and ROIC are in reported currencies and assume a 2019 average U.S. dollar rate of approximately €/ \$ 1.14. Guidance for adjusted free cash flow and earnings per share are in constant currencies (€/ \$ 1.18). Guidance for adjusted EPS includes the estimated effect of the announced up to €250 million share buyback planned for 2019. 2018 comparatives are in reported currencies and restated for IFRS 16.

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

Restructuring costs are included in adjusted operating profit. We currently expect to incur restructuring costs of €10-€20 million in 2019 (2018: €30 million). We expect adjusted net financing costs of approximately €65 million in constant currencies¹ including approximately €10 million in IFRS 16 lease interest charges. Following the adoption of new tax legislation in The Netherlands, we expect the benchmark effective tax rate to be in the range of 24.5%-25.5% for 2019.

Capital expenditure (excluding cash payments on lease contracts) is expected to remain in the range of 5%-6% of total revenues (2018: 5.2%, excluding the sale of real estate). We expect the cash conversion ratio to be between 95%-100% in 2019 (2018: 103% restated for IFRS 16).

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

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

About Wolters Kluwer

Wolters Kluwer (WKL) is a global leader in information, software solutions, and services for professionals in the healthcare; tax and accounting; governance, risk and compliance; and legal and regulatory sectors. We help our customers make critical decisions every day by providing expert solutions that combine deep domain knowledge with specialized technology and services.

Wolters Kluwer reported 2018 annual revenues of €4.3 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 18,600 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands.

Wolters Kluwer shares are listed on Euronext Amsterdam (WKL) and are included in the AEX and Euronext 100 indices. Wolters Kluwer has a sponsored Level 1 American Depositary Receipt (ADR) program. The ADRs are traded on the over-the-counter market in the U.S. (WTKWY).

For more information, visit www.wolterskluwer.com and follow us on LinkedIn, Twitter, Facebook and YouTube.

Financial Calendar

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
February 26, 2020	Full-Year 2019 Results
March 11, 2020	Publication of 2019 Annual Report

Media

Annemarije Dérogée-Pikaar
Global Branding & Communications
t + 31 (0)172 641 470
press@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.

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