

## Wolters Kluwer First-Quarter 2021 Trading Update

May 5, 2021 - Wolters Kluwer, a global leader in professional information, software solutions, and services, today released its scheduled first-quarter 2021 trading update.

### Highlights

- Full-year 2021 guidance reiterated: good start to the year.
- First-quarter revenues up 4% in constant currencies and up 4% organically.
  - Recurring revenues (81%) grew 3% organically; non-recurring revenues rose 7% organically.
  - Digital & services revenues (92%) grew 4% organically.
  - Expert solutions (55%) grew 6% organically.
- First-quarter adjusted operating profit margin increased by 290 basis points, benefitting from temporary savings in travel and other discretionary costs.
- First-quarter adjusted free cash flow up 115% in constant currencies, largely reflecting timing of working capital movements.
- Net debt-to-EBITDA 1.5x as of March 31, 2021.
- Progress on 2021 share buyback: €159 million of intended buyback of up to €350 million completed in the year through May 4, 2021.

Nancy McKinstry, CEO and Chairman of the Executive Board, commented: “First quarter results were better than expected, notwithstanding some favorable timing effects. In recent weeks, the new sales environment has shown early signs of improvement in selected areas. We remain focused on our strategic goals, including advancing our expert solutions, while supporting the well-being of our employees and delivering value to our customers. We continue to expect the recovery towards pre-pandemic growth levels to be gradual but are encouraged by the good start to the year.”

### First Quarter 2021 Developments

First quarter revenues declined 2% in reporting currency, due to the depreciation of the U.S. dollar compared to a year ago. Excluding the impact of currency movements, first quarter revenues increased 4%. The impact of 2020 acquisitions on revenues and adjusted operating profit was nearly offset by the impact of last year’s divestments. Organic growth was 4%, slightly better than expected across all four divisions. Recurring revenues (81% of revenues), which include subscriptions and other repeating revenue streams, grew 3% organically (1Q 2020: 5%). Non-recurring revenues (19% of revenues) increased 7% organically (1Q 2020: decline of 2%), buoyed by a 24% organic increase in printed books (timing of orders) and a 24% organic increase in Financial Services transactional revenues (reflecting volumes related to the 2021 U.S. Paycheck Protection Program<sup>1</sup>). Non-recurring software license fees and implementation services were broadly stable in the quarter. The adjusted operating profit margin increased in all divisions, primarily due to temporary cost savings as travel and in-person events remain restricted.

Health revenues grew 8% organically (1Q 2020: 5%) in the quarter. Clinical Solutions grew 6% organically against a tough comparable (1Q 2020: 8%), driven by subscriptions to our decision support and drug information solutions. UpToDate Advanced was enhanced with more content and functionality to integrate into EMR<sup>2</sup> workflows. Health Learning, Research & Practice grew 11% organically, driven by favorable timing of book reseller orders (expected to reverse in coming quarters) and by the addition of the *American Society of Clinical Oncology* journals in medical research. Digital nursing solutions for education and practice achieved strong double-digit growth, led by CoursePoint+ and vSim.

Tax & Accounting revenues increased 5% in constant currencies, partly due to the acquisition of XCM Solutions in September 2020. Organic growth was 3% (1Q 2020: 5%). Corporate Performance Solutions

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<sup>1</sup> Hereinafter referred to as PPP. The U.S. Small Business Association (SBA) Paycheck Protection Program was established by the 2020 U.S. CARES Act. Wolters Kluwer Compliance Solutions (part of Governance, Risk & Compliance) supports bank customers in lending under this program. A new tranche of the U.S. PPP program was launched by the SBA in January 2021.

<sup>2</sup> Electronic medical record systems.

(CCH Tagetik and TeamMate) delivered double-digit organic growth, driven by cloud and on-premise software products. In Professional Tax & Accounting, organic growth was muted due to the delayed start to the U.S. tax filing season which has shifted bank product and other filing-related revenues into the second quarter. Market conditions for new software sales remain challenged.

Governance, Risk & Compliance revenues increased 6% in constant currencies, including the effect of the eOriginal acquisition completed in December 2020. Organic growth was 3% (1Q 2020: 4%). Legal Services organic growth was 2%, slower than a year ago as a late March rebound in transactional revenues partly offset more moderate growth in recurring revenues. Financial Services delivered 5% organic growth supported by steady growth in recurring software maintenance and cloud subscription revenues and an uptick in transactional volumes related to the 2021 U.S. PPP.

Legal & Regulatory revenues declined 2% in constant currencies due to the impact of 2020 divestments. Organic growth was 2% (1Q 2020: decline of 1%). The software activities recorded single-digit organic growth following the pandemic's impact on new sales in 2020. Information Solutions (82% of divisional revenues) posted 2% organic growth, as digital information solutions sustained good organic growth in both Europe and the U.S. Print formats benefitted from a favorable publication schedule and a recovery in sales of U.S. legal education textbooks.

### **Cash Flow and Net Debt**

First-quarter adjusted EBITDA increased 8% overall and 16% in constant currencies. Cash conversion was strong, benefitting from timing of working capital inflows in the quarter. Adjusted free cash flow increased 115% in constant currencies, despite higher cash taxes and financing costs compared to the same period a year ago.

Net cash spend on acquisitions net of disposals was negligible in the quarter. A total of €122 million cash was deployed towards share repurchases during the quarter.

As of March 31, 2021, net debt was €2,200 million, compared to €2,383 million at December 31, 2020. Net-debt-to-EBITDA, based on rolling twelve months' EBITDA, was 1.5x at the end of March 2021, compared to 1.7x at year-end 2020.

On March 30, 2021, we issued a new €500 million, 7-year senior unsecured Eurobond with an attractive coupon of 0.25%. The proceeds will be used for general corporate purposes.

As of March 31, 2021, the number of the number of issued ordinary shares outstanding (excluding 6.2 million shares held in treasury) was 261.3 million.

### **ESG Developments**

Approximately 95% of Wolters Kluwer's 19,200 employees remain in a work-from-home status. In the first quarter, we launched a range of virtual webinars and training to continue to support well-being, belonging, and engagement.

### **Dividends and Share Buybacks**

At the Annual General Meeting in April, shareholders approved a total dividend of €1.36. The final dividend will therefore be €0.89 per share, to be paid on May 19, 2021 (ADRs: May 26, 2021). The interim dividend for 2021 will be set at 40% of the prior year total dividend.

In the year to date, Wolters Kluwer has repurchased 2.3 million ordinary shares for a total consideration of €159 million (average share price €69.66). For the period starting May 6, 2021, up to and including August 2, 2021, we have engaged a third party to execute €70 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.

### **Full-Year 2021 Outlook**

Due to the ongoing nature of the COVID-19 pandemic, we continue to expect economic activity and spending patterns to be subdued for most of 2021, with a gradual recovery starting in the second half of the year. In the second quarter of 2021 we face a challenging comparable in Governance, Risk &

Compliance, as we expect lower PPP-related revenues in 2021 compared to 2020. Overall, we remain in a strong position to respond to new challenges should they arise. We reiterate our specific guidance for full-year 2021 adjusted operating profit margin, adjusted free cash flow, return on invested capital (ROIC), and diluted adjusted EPS. See table below.

<b>Full-Year 2021 Outlook</b>		
<b>Performance indicators</b>	<b>2021 Guidance</b>	<b>2020</b>
Adjusted operating profit	24.5% - 25.0%	24.4%
Adjusted free cash flow	€875-€925 million	€907 million
ROIC	Around 12%	12.3%
Diluted adjusted EPS	Mid-single-digit growth	€3.13

Guidance for adjusted operating profit margin and ROIC is in reported currencies and assumes an average EUR/USD rate in 2021 of €/\$1.21. Guidance for adjusted free cash flow and diluted adjusted EPS is in constant currencies (€/\$ 1.14). Guidance reflects share repurchases for up to €350 million in 2021.

If current exchange rates persist, the U.S. dollar rate will have a negative effect on 2021 results reported in euros. In 2020, Wolters Kluwer generated more than 60% of its revenues and adjusted operating profit in North America. As a rule of thumb, based on our 2020 currency profile, each 1 U.S. cent move in the average €/\$ exchange rate for the year causes an opposite change of approximately 2 euro cents in diluted adjusted EPS.

We include restructuring costs in adjusted operating profit. We expect that restructuring costs will be in the range of €10-€15 million in 2021 (FY 2020: €49 million). We expect adjusted net financing costs of approximately €65 million in constant currencies<sup>3</sup>, including approximately €10 million in lease interest charges. We expect the benchmark tax rate on adjusted pre-tax profits to be in the range of 23.0%-24.0% for 2021. Capital expenditure is expected to be within our normal range of 5.0%-6.0% of total revenues (FY 2020: 5.0%). Cash repayments of lease liabilities are expected to be in line with depreciation of right-of-use assets (FY 2020: €73 million). We expect the full-year cash conversion ratio to be in the range of 95%-100% in 2021 (FY 2020: 102%).

Any guidance we provide 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.

### 2021 Outlook by Division

**Health:** We expect full-year organic growth to improve over 2020 levels and the adjusted operating profit margin to be stable year-on-year as temporary cost savings fade.

**Tax & Accounting:** We expect organic growth to improve from 2020 levels and the adjusted operating profit margin to decline due to the absence of one-time benefits and the fading of temporary cost savings.

**Governance, Risk & Compliance:** We now expect the organic growth rate to be broadly in line with 2020 levels, as lower PPP transactional volumes are offset by a higher level of Legal Services transactions. We continue to expect the adjusted operating profit margin to improve on the back of lower restructuring and provisions.

**Legal & Regulatory:** We continue to expect the division to return to positive organic growth driven by digital information and software revenues. We expect the adjusted operating profit margin to improve as a result of lower restructuring.

<sup>3</sup> Guidance for adjusted 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 professional information, software solutions, and services for 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 technology and services.

Wolters Kluwer reported 2020 annual revenues of €4.6 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 19,200 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](http://www.wolterskluwer.com), follow us on [Twitter](#), [Facebook](#), [LinkedIn](#), and [YouTube](#).

## Financial Calendar

May 5, 2021	First-Quarter 2021 Trading Update
May 19, 2021	Payment date: 2020 final dividend ordinary shares
May 26, 2021	Payment date: 2020 final dividend ADRs
August 4, 2021	Half-Year 2021 Results
August 31, 2021	Ex-dividend date: 2021 interim dividend
September 1, 2021	Record date: 2021 interim dividend
September 23, 2021	Payment date: 2021 interim dividend ordinary shares
September 30, 2021	Payment date: 2021 interim dividend ADRs
November 3, 2021	Nine-Month 2021 Trading Update
February 23, 2022	Full-Year 2021 Results

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## Forward-looking Statements and Other Important Legal Information

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