Wolters Kluwer

Wolters Kluwer First-Quarter 2023 Trading Update

Alphen aan den Rijn, May 3, 2023 – Wolters Kluwer, a global leader in professional information, software solutions and services, today releases its first-quarter 2023 trading update.

Highlights

- **Full-year 2023 guidance reiterated.**
- **First-quarter revenues up 5% in constant currencies and up 6% organically.**
  - Recurring revenues (82%) up 7% organically; non-recurring revenues up 2% organically.
  - Digital & services revenues (94%) grew 7% organically; print revenues declined 5% organically.
  - *Expert solutions* revenues (58%) grew 7% organically.
- **First-quarter adjusted operating profit margin decreased 270 basis points.**
  - Personnel costs and personnel-related expenses increased, as expected.
- **First-quarter adjusted free cash flow decreased 23% in constant currencies, mainly due to lower working capital inflows related to timing of payments.**
- **Net debt-to-EBITDA was 1.3x as of March 31, 2023.**
- **Progress on 2023 share buyback: €303 million of intended share buyback of up to €1 billion completed in the year through May 1, 2023.**

Nancy McKinstry, CEO and Chair of the Executive Board, commented: *"We have seen a good start to the year, with performance broadly as expected. Product investment has been sustained at high levels as we continue to pursue opportunities for organic growth while enhancing our solutions for customers. The creation of a fifth division, Corporate Performance & ESG, was implemented in March and our teams around the world are focused on executing on our strategy. We are confident in reiterating our guidance for full-year 2023."*

First-quarter 2023 developments

First-quarter revenues increased 5% in constant currencies, reflecting organic growth of 6% (1Q 2022: 8%), partly offset by the impact of net divestitures. In the first quarter, the average EUR/USD rate was favorable (averaging 1.07 in 1Q 2023 versus 1.12 in 1Q 2022). Recurring revenues (82% of revenues), which include subscriptions and other repeating revenue streams, increased 7% organically (1Q 2022: 8%). Non-recurring revenues (18% of revenues) rose 2% organically, marking an expected slowdown from a year ago (1Q 2022: 9%). Of non-recurring revenues, Governance, Risk & Compliance transactional revenues declined 1% organically (1Q 2022: 1% increase). Print book trends were mixed. Other non-recurring revenues, mainly comprised of on-premise software licenses and implementation fees, rose 2% organically against a tough comparable (1Q 2022: 14% organic growth). The adjusted operating profit margin declined 270 basis points in the first quarter, reflecting the expected increase in personnel costs and personnel-related expenses such as office and travel costs.

In March, we implemented the new five-division structure announced on February 22, 2023. The discussion below still follows the previous four-division reporting structure. Pro forma historical figures for the five divisions will be provided in advance of our half-year 2023 report.

Health revenues grew 5% organically (1Q 2022: 9%). Clinical Solutions grew 6% organically (1Q 2022: 9%), led by our clinical decision support solution, UpToDate, and patient engagement solution, Emmi. Clinical drug information revenues returned to mid-single digit organic growth. Learning, Research & Practice grew 3% organically against a challenging comparable (1Q 2022: 9%). Digital subscription revenues for medical research and nursing solutions grew 4% organically, while print books, journal advertising, and other non-recurring revenues declined.

Tax & Accounting revenues grew 11% organically (1Q 2022: 9%). Our North American professional Tax & Accounting business sustained double-digit organic growth, mainly driven by cloud software, including the CCH Axcess suite. The North American business benefitted from continued strength of outsourced professional services and a favorable print book publishing schedule. Professional Tax & Accounting in Europe and Asia Pacific both recorded a strong start to the year. Our Corporate Performance unit, comprising CCH Tagetik and U.S. Corporate Tax, recorded accelerated double-digit organic growth, supported by strong performance in cloud software and services across all major global regions.

Governance, Risk & Compliance revenues were flat on an organic basis against a tough comparable (1Q 2022: 8%), largely as expected. A 6% decline in non-recurring revenues (37% of division revenues) was offset by 4% organic growth in recurring revenues. In Legal Services, organic growth was 2% (1Q 2022: 7%), as solid growth in recurring subscriptions was partly offset by a 2% organic decline in Legal Services transactional revenues. In Financial Services, organic revenues declined 3% (1Q 2022: organic growth of 8%), as momentum in recurring revenues slowed and non-recurring revenues declined. Lien Solutions and mortgage transaction volumes declined while on-premise software license and implementation fees were lower than a year ago.

Legal & Regulatory revenues grew 7% organically (1Q 2022: 6%). Legal & Regulatory Information Solutions (74% of divisional revenues) delivered stable 3% organic growth (1Q 2022: 3%), as digital and services subscriptions increased 8% organically (1Q 2022: 7%), more than compensating for a decline in training and other non-recurring products. The Enablon EHS/ORM[1] platform delivered double-digit organic growth in both recurring cloud subscriptions and non-recurring software license fees in the quarter. In constant currencies, divisional revenues declined 3% due to the divestment on November 30, 2022, of legal publishing assets in France and Spain.

Cash flow and net debt

First-quarter adjusted free cash flow declined 23% in constant currencies, due to lower working capital inflow in the quarter as a result of timing of payments. In addition, capital expenditure increased due to investments in innovation. Paid financing cost and paid tax were lower than a year ago. Net cash spend on acquisitions was €24 million, mainly related to the acquisition of NurseTim on January 9, 2023. A total of €230 million in cash was deployed towards share repurchases during the quarter.

As of March 31, 2023, net debt was €2,227 million, compared to €2,253 million at December 31, 2022. Net-debt-to-EBITDA, based on rolling twelve-month EBITDA, was 1.3x at the end of March 2023, compared to 1.3x at year-end 2022. As of March 31, 2023, the number of issued ordinary shares outstanding (excluding 10.5 million shares held in treasury) was 247.0 million.

In early April, we issued a new €700 million Eurobond with an 8-year term and 3.750% annual coupon.

Dividends and share buybacks

In the year to date (through May 1), Wolters Kluwer has repurchased 2.8 million ordinary shares for a total consideration of €303 million (average share price €109.22). This includes a block trade of €43.5 million executed on February 23, 2023, to offset the dilution caused by our incentive share issuance.

For the period starting May 4, 2023, up to and including July 31, 2023, we have engaged a third party to execute €200 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.

At the Annual General Meeting to be held on May 10, 2023, shareholders will be asked to approve a total dividend of €1.81 over financial year 2022, an increase of 15% compared to the 2021 dividend. If approved, the final dividend of €1.18 per share will be paid to shareholders on June 6, 2023 (ADRs: June 13, 2023). The interim dividend for 2023 will be set at 40% of the 2022 total dividend.

ESG developments

In the first quarter, we made progress in advancing our ESG performance. In the area of human capital, we continued efforts to attract and retain talent and to support employee engagement and belonging. A range of initiatives around training and career development are planned for 2023. Efforts to reduce our Scope 1 and Scope 2 emissions continued, with our global real estate team on track to deliver a further reduction in absolute square meters of office space in 2023. Our program of decommissioning on-premise servers continued as we migrated applications and customers to energy-efficient cloud platforms. As reported previously, in early 2023, we submitted near-term targets to the Science Based Targets initiative (SBTi) for validation, to reduce absolute Scope 1 and 2 greenhouse gas (GHG) emissions by 50% and absolute Scope 3 GHG emissions by 30% by the year 2030 from a 2019 base year. We are continuing our review of the new EU Corporate Sustainability Reporting Directive (CSRD) in preparation for its application in 2024.

[1] EHS/ORM = environmental, health & safety and operational risk management.

Full-year 2023 outlook

Our guidance for 2023 is provided below. We continue to expect full-year organic growth to be in line with the prior year and the adjusted operating profit margin to improve. We continue to expect first half 2023 organic growth to be slower compared to the prior year period, most notably in Governance, Risk & Compliance and Health. We continue to expect the adjusted operating margin to decline in the first half before improving in the second half.

Full-year 2023 outlook

Performance indicators	2023 Guidance	2022 Actual
Adjusted operating profit margin*	26.1%-26.5%	26.1%
Adjusted free cash flow**	Around €1,200 million	€1,220 million
ROIC*	16.5%-17.0%	15.5%
Diluted adjusted EPS growth**	High-single-digit	8%

*Guidance for adjusted operating profit margin and ROIC is in reporting currency and assumes an average EUR/USD rate in 2023 of €/$1.07. **Guidance for adjusted free cash flow and diluted adjusted EPS is in constant currencies (€/$ 1.05). Guidance reflects share repurchases of €1 billion in 2023.

If the current U.S. dollar rate persists, currency will have a slightly negative effect on full-year 2023 results reported in euros. In 2022, Wolters Kluwer generated over 60% of revenues and adjusted operating profit in North America. As a rule of thumb, based on our 2022 currency profile, each 1 U.S. cent move in the average €/$ exchange rate for the year causes an opposite change of approximately 3 euro cents in diluted adjusted EPS[2].

We include restructuring costs in adjusted operating profit. We expect 2023 restructuring costs to be in the range of €10-€15 million (FY 2022: €6 million).

We expect adjusted net financing costs[3] in constant currencies to be approximately €40 million. We expect the benchmark tax rate on adjusted pre-tax profits to be in the range of 23.0%-24.0% (FY 2022: 22.6%).

Capital expenditure is expected to increase but to remain within our normal range of 5.0%-6.0% of total revenues (FY 2022: 5.4%). We expect full-year cash conversion ratio to be approximately 100% (FY 2022: 107%).

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, earnings, and ROIC in the near term.

The impact of discontinuing activities in Russia and Belarus is expected to be immaterial to the consolidated financial results in 2023.

2023 Outlook by division

Health: we expect full-year organic growth to be in line with prior year and the full-year adjusted operating profit margin to be stable.

Tax & Accounting: we expect full-year organic growth to be in line with prior year and the full-year adjusted operating profit margin to be stable.

Governance, Risk & Compliance: we expect full-year organic growth to be in line with prior year and the full-year adjusted operating profit margin to improve modestly.

Legal & Regulatory: we expect full-year organic growth to be in line with prior year and full-year adjusted operating profit margin to improve modestly.

[2] This rule of thumb excludes the impact of exchange rate movements on intercompany balances, which is accounted for in adjusted net financing costs in reported currencies and determined based on period-end spot rates and balances.
[3] Adjusted net financing costs include lease interest charges. 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 (EURONEXT: WKL) is a global leader in information, software solutions and services for professionals in healthcare; tax and accounting; financial and corporate compliance; legal and regulatory; corporate performance and ESG. 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 2022 annual revenues of €5.5 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 20,500 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, follow us on Twitter, Facebook, LinkedIn, and YouTube.

Financial calendar

May 10, 2023	Annual General Meeting of Shareholders
May 12, 2023	Ex-dividend date: 2022 final dividend
May 15, 2023	Record date: 2022 final dividend
June 6, 2023	Payment date: 2022 final dividend ordinary shares
June 13, 2023	Payment date: 2022 final dividend ADRs
August 2, 2023	Half-Year 2023 Results
August 29, 2023	Ex-dividend date: 2023 interim dividend
August 30, 2023	Record date: 2023 interim dividend
September 21, 2023	Payment date: 2023 interim dividend
September 28, 2023	Payment date: 2023 interim dividend ADRs
November 1, 2023	Nine-Month 2023 Trading Update
February 21, 2024	Full-Year 2023 Results
March 6, 2024	Publication of 2023 Annual Report

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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; conditions created by global pandemics, such as COVID-19; 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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