# Wolters Kluwer 2014 First-Quarter Trading Update

**May 7, 2014 - Wolters Kluwer, a global leader in professional information services, today released its scheduled 2014 first-quarter trading update.**

## Highlights

- **Full-year 2014 guidance affirmed.**
- **First-quarter revenues up +2% in constant currencies and up +2% organically.**
  - First quarter benefitted from a favorable comparison to the prior year.
  - Leading, high growth businesses continue to drive performance.
  - Digital subscriptions saw good organic growth; transactional and cyclical revenues declined.
- **First-quarter adjusted operating margin declined, as expected, due to planned restructuring costs.**
- **First-quarter adjusted free cash flow declined in constant currencies, as expected, partly due to higher paid financing costs.**
- **Net-debt-to-EBITDA 2.2 (March 31, 2014) in line with year-end 2013 and better than target of 2.5.**
- **Year-to-date acquisition spending, net of cash acquired, was €170 million including Datacert.**

**Nancy McKinstry, CEO and Chairman of the Executive Board, commented:**
*"Our leading, high growth businesses and digital products again drove positive organic revenue performance in the first quarter, more than compensating for expected decline in print formats and certain transactional and cyclical revenue streams. We sustained organic investment in new products and geographic expansion, and, as announced previously, stepped up restructuring in order to drive further efficiencies, particularly in Europe. The acquisition of Datacert last month will help further transform our portfolio. We remain confident of achieving the guidance we set out at the start of this year."*

## First Quarter Developments

First-quarter revenues declined 1% overall due to the strength of the Euro against the U.S. Dollar and other currencies. In constant currencies, revenues rose +2%, driven mainly by organic growth which benefitted from a favorable comparison to the prior year (first quarter 2013: -1%). The effect of 2013 acquisitions (mainly Prosoft in Tax & Accounting) was broadly offset by the impact of last year's divestitures (mainly in Legal & Regulatory). Recurring revenues saw good organic growth in the quarter, despite further decline in print subscriptions. Books, transactional and other non-recurring revenues declined. The first-quarter adjusted operating margin declined compared to a year ago, due to increased restructuring costs, lower transactional revenues as well as the effect of last year's disposals and currency.

In Legal & Regulatory, Corporate Legal Services (CLS) achieved positive organic growth, with growth in digital subscriptions partly offset by slower transaction volumes due to decelerating trends in M&A volumes, commercial lending activity and UCC filings compared to a year ago. Legal & Regulatory publishing operations saw organic revenue decline, as expected, in both Europe and North America. While digital revenues grew, this was offset by trends in print subscriptions and books (including U.S. legal education). The divisional adjusted operating margin declined, as expected. As indicated in February 2014, we have transferred certain European tax publishing assets into the Legal & Regulatory division (a net transfer of approximately €33 million revenue in 2014) in order to drive further scale economies. For the full year, we continue to expect Corporate Legal Services to achieve positive organic growth, although momentum in CLS transactional revenues is expected to be slower this year. In our Legal & Regulatory publishing operations, we anticipate organic revenue decline due to continued economic uncertainty in Europe, weakness in print formats, and lower U.S. law school enrollments. Continued softness in revenue combined with higher restructuring, the effect of dilutive disposals and the transfer of tax publishing assets is expected to lead to a lower margin in 2014.

Tax & Accounting saw positive organic growth in the first quarter, with software products (over 60% of divisional revenues) performing well around the world, while other product lines, including print, partly offset this performance. *Prosoft* in Brazil continues to perform well. The first quarter adjusted operating profit margin declined, as expected, due to planned restructuring initiatives. For the full year, we continue to expect the division's software businesses to achieve good organic growth, partly offset by trends in other product areas. As before, we anticipate margin contraction due to increased restructuring which will be weighted towards the first half.

Health achieved strong organic growth in the first quarter, benefitting from an easy comparable in the first quarter of 2013. Clinical Solutions achieved double-digit organic growth, with *UpToDate, Pharmacy OneSource, Provation,* and *Health Language* driving this performance. Medical Research posted improved organic growth, with growth in digital revenues including online journal advertising outweighing expected print decline. Professional & Education revenues declined in the seasonally small first quarter. For the full year, we continue to expect another strong year for Clinical Solutions. Market conditions for print journals and books are expected to remain weak. The positive effect from the ongoing mix shift towards Clinical Solutions should benefit margins despite continued investment in new digital product development and global expansion.

Financial & Compliance Services first quarter revenues were lower on organic basis due to declines in our Originations and Transport units. Finance, Risk & Compliance saw positive organic growth driven by strong performance from *FRSGlobal* and *FinArch* products. In Audit, *TeamMate* internal audit software had a strong start to the year which more than compensated for the expected revenue attrition from the rationalisation of the *Axentis* platform. We expect full year results to be back-end loaded, supported by positive organic growth in our Finance, Risk & Compliance and Audit units. First half performance is expected to be impacted by lower mortgage refinancing volumes.

**Cash Flow, Acquisitions, Divestitures, and Net Debt**

Cash conversion was broadly stable compared to a year ago. Adjusted free cash flow declined in constant currencies, as expected, due mainly to higher paid financing costs resulting from double coupon payments due to the maturing Eurobond in January 2014. We continue to expect at least €475 million adjusted free cash flow at constant currencies for the full year. Twelve months rolling net-debt-to-EBITDA was 2.2 at the end of the first quarter, stable compared to 2.2 reported for year-end 2013, and better than our target of 2.5.

Subsequent to the first quarter, we announced the completion of our acquisition of the 62% of Datacert (Third Coast Holdings) we did not already own. The event triggered a non-cash book profit of approximately $100 million (approximately €73 million) on Wolters Kluwer's prior minority investment, subject to accounting adjustments. This is excluded from adjusted results. Including Datacert, net acquisition spending including earnouts for earlier acquisitions and net of cash acquired, was approximately €170 million in the year to date. Following approval at the Annual General Meeting, a dividend of €0.70 per share will be paid in cash on May 13, 2014.

## Full-Year 2014 Outlook

We reaffirm our full-year 2014 guidance. Our 2014 margin guidance includes expected restructuring costs of approximately €25-30 million (2013: €10-15 million) which will fall mainly in the Legal & Regulatory and Tax & Accounting divisions and will be weighted towards the first half.

| Performance indicators | 2014 Guidance |
|---|---|
| Adjusted operating profit margin | 20.5%-21.5% |
| Adjusted free cash flow | ≥ €475 million |
| Return on invested capital | ≥ 8% |
| Diluted adjusted EPS | Low single-digit growth |

Guidance for adjusted free cash flow and diluted adjusted EPS is in constant currencies (EUR/USD 1.33).

Our guidance is based on constant exchange rates. Wolters Kluwer generates more than half of its adjusted operating profit in North America. As a rule of thumb, based on our 2013 currency profile, a 1 U.S. cent move in the average EUR/USD exchange rate for the year causes an opposite 1.0 euro-cent change in diluted adjusted EPS.

Starting with 2014 figures, Wolters Kluwer is adopting more standard terminology for its benchmark figures. See our website www.wolterskluwer.com for more details.

**About Wolters Kluwer**
Wolters Kluwer is a global leader in professional information services. Professionals in the areas of legal, business, tax, accounting, finance, audit, risk, compliance and healthcare rely on Wolters Kluwer's market leading information-enabled tools and software solutions to manage their business efficiently, deliver results to their clients, and succeed in an ever more dynamic world.

Wolters Kluwer reported 2013 annual revenues of €3.6 billion. The group serves customers in over 150 countries, and employs over 19,000 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands.

Wolters Kluwer shares are listed on NYSE Euronext Amsterdam (WKL) and are included in the AEX and Euronext 100 indices. Wolters Kluwer has a sponsored Level 1 American Depositary Receipt 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, follow @Wolters_Kluwer on Twitter, like us on Facebook, follow us on LinkedIn, or follow WoltersKluwerComms on YouTube.

**Financial Calendar**

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| May 13, 2014 | Dividend payment date |
| May 20, 2014 | ADR dividend payment date |
| July 30, 2014 | Half-Year 2014 Results |
| November 5, 2014 | Third-Quarter 2014 Trading Update |
| February 18, 2015 | Full-Year 2014 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.*