

Wolters Kluwer First-Quarter 2022 Trading Update

Alphen aan den Rijn, The Netherlands, May 4, 2022 - Wolters Kluwer (EURONEXT: WKL), a global leader in professional information, software solutions, and services, today released its scheduled first-quarter 2022 trading update.

Highlights

- Full-year 2022 guidance reaffirmed.
- First-quarter revenues up 8% in constant currencies and up 8% organically.
 - Recurring revenues (81%) grew 8% organically; non-recurring revenues rose 9% organically.
 - Digital & services revenues (93%) grew 9% organically; print revenues grew 4% organically.
 - *Expert solutions* (56%) grew 10% organically.
- First-quarter adjusted operating profit margin increased, with strong operational gearing more than compensating for increased personnel expenses.
- First-quarter adjusted free cash flow increased 6% in constant currencies, despite higher capital expenditure and tax payments in the quarter.
- Net debt-to-EBITDA 1.2x as of March 31, 2022.
- 2022 share buyback: €216 million of intended buyback of up to €600 million completed in the year through May 2, 2022.

Nancy McKinstry, CEO and Chair of the Executive Board, commented: *“The year has started well, with improved organic growth across all four divisions, even if we exclude favorable timing and phasing effects that influenced the first quarter. We continued to invest in our people and products as we pursue opportunities to grow our expert solutions. While we face more challenging revenue comparables in the remainder of the year, we are confident in reaffirming our overall guidance for 2022.”*

First Quarter 2022 Developments

First quarter revenues increased 13% in reporting currency, partly reflecting the significant strengthening of the U.S. dollar against the euro compared to a year ago (average EUR/USD rate 1.12 versus 1.20 in 1Q 2021). In constant currencies, first quarter revenues increased 8%. Excluding both currency and the net effect of acquisitions and divestments, organic growth was 8% (1Q 2021: 4%). All divisions posted improved organic growth in the quarter compared to a year ago.

Recurring revenues (81% of revenues), which include subscriptions and other repeating revenue streams, increased 8% organically against a relatively weak comparable (1Q 2021: 3%). Non-recurring revenues (19% of revenues) increased 9% organically (1Q 2021: 7%) with transactional revenues in Governance, Risk & Compliance (GRC) broadly flat (1Q 2021: 11%) but other non-recurring revenues, such as software license and implementation services, up 14% organically (1Q 2021: stable). Print revenues rose 4% organically (1Q 2021: 6%), with an 8% organic decline in Legal & Regulatory print revenues more than offset by an organic increase in Health.

The adjusted operating profit margin increased in all divisions, except in Governance, Risk & Compliance. The first quarter margin benefitted from operational gearing which more than offset increased personnel costs related to hires made in recent quarters. Expenses related to travel and other activities that were reduced during the pandemic remained low in the first quarter but are expected to build over the year.

Health revenues increased 9% organically (1Q 2021: 8%) in the quarter, with strong performance around the world. Clinical Solutions grew 9% organically (1Q 2021: 6%), driven by strong subscription renewals for our decision support tool, UpToDate, and our drug information solutions, Medi-Span and Lexicomp. Health Learning, Research & Practice also grew 9% organically (1Q 2021: 11%), buoyed by an unexpected increase in U.S. print book revenues due to favorable timing of distributor orders. Organic growth in Learning, Research & Practice digital subscriptions, advertising, and other non-recurring revenues slowed compared to a year ago due to a challenging comparable.

Tax & Accounting revenues grew 9% organically (1Q 2021: 3%), largely reflecting revenue phasing related to the timing of the U.S. tax season and a surge in demand for outsourced professional services in a tight labor market. Corporate Performance Solutions (CCH Tagetik and TeamMate) recorded mid-single digit organic growth, driven by double-digit organic growth at CCH Tagetik. Professional Tax & Accounting

North America recorded double-digit organic growth, against a weak comparable which saw revenues shift into the second quarter of 2021 due to the delay in the U.S. tax season. Professional Tax & Accounting Europe delivered mid-single digit organic growth, while Asia Pacific growth moderated.

Governance, Risk & Compliance revenues increased 8% organically (1Q 2021: 3%). Legal Services organic growth was 7% (1Q 2021: 2%), mainly driven by robust renewals for CT Corporation legal representation subscription services. Financial Services recorded 8% organic growth (1Q 2021: 5%). In Compliance Solutions, subscription revenues increased, especially for eOriginal digital lending solutions, however this was offset by a decline in transactional volumes due to the absence of a Paycheck Protection Program¹ in 2022 and the market-wide decline in U.S. mortgage originations. Finance, Risk & Reporting posted strong organic growth driven by non-recurring implementation services and higher license fees for OneSumX software. On April 8, 2022, GRC completed the acquisition of International Document Services (IDS) for approximately \$70 million in cash.

Legal & Regulatory revenues grew 6% organically (1Q 2021: 2%), benefitting from higher non-recurring license revenues for EHS/ORM² software. Information Solutions (79% of divisional revenues) posted 3% organic growth (1Q 2021: 2%), with digital information solutions up 7% and print formats down 8% in the quarter. Divestitures, notably the disposal of the U.S. Legal Education business in September 2021, reduced divisional revenues by 4% in constant currencies in the quarter. The sale of our legal publishing assets in Spain and France, agreed in December 2021 and expected to complete in 2022, remains subject to approval of the Spanish antitrust authorities.

Cash Flow and Net Debt

First quarter adjusted free cash flow increased 6% in constant currencies. Cash conversion was lower than a year ago due to an increase in capital expenditures and a decline in working capital inflows. Mainly as a result of new U.S. rules on the capitalization of research & development expenses, cash tax payments increased. Net cash spend on acquisitions was nil, while a total of €157 million in cash was deployed towards share repurchases during the first quarter.

As of March 31, 2022, net debt was €1,920 million, compared to €2,131 million at December 31, 2021. Net-debt-to-EBITDA, based on rolling twelve months' EBITDA, was 1.2x at the end of March 2022, compared to 1.4x at year-end 2021.

As of March 31, 2022, the number of issued ordinary shares outstanding (excluding 5.5 million shares held in treasury) was 257.1 million.

Dividends and Share Buybacks

At the Annual General Meeting held on April 21, 2022, shareholders approved a total dividend of €1.57 over financial year 2021. This results in a final dividend of €1.03 per share to be paid to shareholders on May 18, 2022 (ADRs: May 25, 2022). The interim dividend for 2022 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 €216 million (average share price €92.55). This includes a €46 million block trade executed on February 24, 2022, to offset dilution caused by incentive share issuance. For the period starting May 5, 2022, up to and including August 1, 2022, we have engaged a third party to execute €140 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.

Recent ESG and Other Developments

As of the end of April, 90% of our offices have reopened and about a quarter of our global workforce was back in office for all or part of the week. At the 2022 Annual General Meeting in April, Ann Ziegler succeeded Frans Cremers as Chair of the Supervisory Board. Heleen Kersten was appointed Member, increasing the proportion of women on the Supervisory Board to 57%.

¹ The U.S. Small Business Association (SBA) Paycheck Protection Program.

² EHS/ORM = environmental, health & safety and operational risk management.

Full-Year 2022 Outlook

We reiterate our overall guidance for full-year 2022 adjusted operating profit margin, adjusted free cash flow, return on invested capital (ROIC), and diluted adjusted EPS (see table below). We continue to expect good organic growth for the full year, albeit slower than in 2021 due to challenging comparables starting in the second quarter. The recent suspension of business in Russia and Belarus is expected to have minimal impact as these countries represent less than 1% of group revenues. We maintain our full year adjusted operating profit margin guidance, although we now expect the group margin to rise in the first half of 2022. As previously indicated, we expect growth in diluted adjusted EPS to be dampened by a return to our historical tax rate.

Full-Year 2022 Outlook

Performance indicators	2022 Guidance	2021
Adjusted operating profit margin	25.5%-26.0%	25.3%
Adjusted free cash flow	€1,025-1,075 million	€1,010 million
ROIC	Around 14%	13.7%
Diluted adjusted EPS	Mid-single-digit growth	€3.38

Guidance for adjusted operating profit margin and ROIC is in reported currencies and assumes an average EUR/USD rate in 2022 of €/\$1.13. Guidance for adjusted free cash flow and diluted adjusted EPS is in constant currencies (€/\$ 1.18). Guidance reflects share repurchases for up to €600 million in 2022.

If current exchange rates persist, the U.S. dollar rate will have a positive effect on 2022 results reported in euros. In 2021, Wolters Kluwer generated more than 60% of its revenues and adjusted operating profit in North America. As a rule of thumb, based on our 2021 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 EPS³.

We include restructuring costs in adjusted operating profit. We currently expect that restructuring costs will increase to within our normal range of €10-€15 million (FY 2021: €6 million). We expect adjusted net financing costs of approximately €65 million in constant currencies⁴, including lease interest charges. We expect the benchmark tax rate on adjusted pre-tax profits to increase to approximately 23.0%-24.0% (FY 2021: 21.5%). Capital expenditure is expected to be within our normal range of 5.0%-6.0% of total revenues (FY 2021: 5.0%). We expect the full-year cash conversion ratio to be in the range of 100%-105% (FY 2021: 112%).

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.

2022 Outlook by Division

Health: we expect organic growth to slow from 2021 levels, mainly due to the absence of a contract win of the size of the 2021 ASCO deal. We expect the adjusted operating profit margin to improve modestly.

Tax & Accounting: we expect organic growth to improve slightly from 2021 levels and the adjusted operating profit margin to improve.

Governance, Risk & Compliance: we expect organic growth to slow from 2021 levels, due to slower growth in transactional revenues in the second half of the year. We expect the adjusted operating profit margin to ease in the first half but to improve for the full year.

Legal & Regulatory: we expect organic growth to be in line with 2021. The adjusted operating profit margin is expected to decline in the second half and for the full year due to the absence of the one-off pension amendment recorded in 2021.

³ 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.

⁴ 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 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 2021 annual revenues of €4.8 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 19,800 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 or follow us on [Twitter](#), [Facebook](#), [LinkedIn](#), and [YouTube](#).

Financial Calendar

May 18, 2022	Payment date: 2021 final dividend ordinary shares
May 25, 2022	Payment date: 2021 final dividend ADRs
August 3, 2022	Half-Year 2022 Results
August 30, 2022	Ex-dividend date: 2022 interim dividend
August 31, 2022	Record date: 2022 interim dividend
September 22, 2022	Payment date: 2022 interim dividend
September 29, 2022	Payment date: 2022 interim dividend ADRs
November 2, 2022	Nine-Month 2022 Trading Update
February 22, 2023	Full-Year 2022 Results
March 8, 2023	Publication of 2022 Annual Report and ESG Data Overview

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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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