Wolters Kluwer 2020 Nine-Month Trading Update

October 30, 2020 – Wolters Kluwer, a global leader in professional information, software solutions and services, today releases its scheduled 2020 nine-month trading update.

Highlights

- **Nine-month revenues up 3% in constant currencies and up 3% organically.**
  - Excluding revenues associated with the PPP[1], organic growth would have been 2%.
  - Recurring revenues (81% of total revenues) grew 5% organically; non-recurring revenues were impacted by the effects of the COVID-19 pandemic.
  - Digital & services revenues (92% of total revenues) increased 5% organically; total print revenues declined 15% organically.
- **Nine-month adjusted operating profit up 17% in constant currencies.**
  - Margin benefitted from reduced travel and other temporary cost reductions, one-time factors, and underlying improvement.
- **Nine-month adjusted free cash flow up 26% in constant currencies.**
  - Free cash flow benefitted from the timing of working capital movements and cash spending.
- **Balance sheet and liquidity remain strong.**
  - Net-debt-to-EBITDA ratio 1.5x as of September 30, 2020.
- **Progress on share buyback 2020: €275 million repurchased in the year to date.**
  - Mandate signed to repurchase €75 million in the remainder of 2020.
- **Share buyback 2021:** mandate signed to repurchase up to €50 million in January and February 2021.
- **Outlook 2020: specific guidance remains suspended.**
  - Recurring revenues from digital information, software and service subscriptions holding up well.
  - Print and non-recurring revenue streams expected to be weak in the remainder of the year.

Nancy McKinstry, CEO and Chairman of the Executive Board, commented: *"Amidst continuing challenges posed by the COVID-19 pandemic around the world, our teams have remained focused on serving our customers and adding value with enhanced product capabilities and relevant new solutions. Market conditions have been difficult for print and non-recurring formats, but our strategically important digital and services subscription revenues have sustained good growth in the first nine months. While we remain cautious with regard to economic conditions, we continue to be confident in the long term strategic direction of the company."*

Nine Months to September 30, 2020

Revenues increased 2% overall, including a negative effect from exchange rate movements during the first nine months. In constant currencies, revenues increased 3%. The impact of acquisitions broadly offset the impact of disposals in the first nine months of 2020. Organic growth was 3%, or 2% excluding revenues associated with the PPP (9M 2019: 4%).

Recurring revenues (81% of total revenues) grew 5% while non-recurring revenues declined 4% organically. This decline in non-recurring revenues was 8% when excluding revenues associated with the PPP (9M 2019: organic decline of 1%) reflecting the effects of COVID-19 on our software license and implementation sales, transactional volumes, print books, training and other non-recurring revenues. Across the group, print book revenues declined 23% organically (9M 2019: decline of 12%).

Revenues from North America (62% of total revenues) grew 4% organically (9M 2019: 3%). Revenues from Europe (30% of total) saw organic growth slow to 2% (9M 2019: 5%) while Asia Pacific & Rest of World (8% of

[1] Throughout this document, "the PPP" refers to the U.S. Small Business Association's Paycheck Protection Program established by the 2020 U.S. Coronavirus Aid, Relief and Economic Security Act (CARES Act). Wolters Kluwer Compliance Solutions (part of Governance, Risk & Compliance) adapted its TSoftPlus platform to support its bank customers in lending under this program.

total) saw organic growth slow to 0% (9M 2019: 6%).

Adjusted operating profit for the first nine months increased 17% in constant currencies. The adjusted operating profit margin increased primarily as a result of temporary reductions in travel and other discretionary costs, the benefit from revenues associated with the PPP, and an additional insurance reimbursement in the third quarter. These factors more than offset increased restructuring costs. Product development spending continued to be near the upper end of our normal range of 8%-10% of revenues (operating expenses and capital expenditures).

Health: Nine-month revenues increased 4% on an organic basis (9M 2019: 3%), led by 7% organic growth in Clinical Solutions (9M 2019: 6%). Learning, Research & Practice recorded 2% organic growth (9M 2019: 0%), largely driven by favorable timing of print book orders. In Clinical Solutions, our clinical decision tools UpToDate and UpToDate Advanced, used by 2.5 million clinicians worldwide, saw strong growth driven by renewals, upsells, and customer wins. Our clinical drug information products sustained robust growth reflecting cross-selling efforts by the integrated sales force. With hospital budgets facing pressure, patient engagement revenues remained weak in the first nine months. In Learning, Research & Practice, a step up in digital content for continuing medical education and a rebound in orders for educational and practice books boosted third quarter revenues. Our medical research platform, Ovid, and digital medical journals recorded good growth, while print journal subscription revenues declined 7% organically.

Tax & Accounting: Nine-month revenues increased 4% organically (9M 2019: 6%). Corporate Performance Solutions (CCH Tagetik and TeamMate) grew 12% organically (9M 2019: 16%), with strong growth in CCH Tagetik cloud subscription revenues tempered by soft trends in implementation services and on-premise software license sales. The North American professional segment recorded modest organic growth, including a positive effect from the deferral of e-filing and bank product revenues into the third quarter due to the postponement of IRS filing deadlines. Professional Tax & Accounting in Europe grew 5% organically, better than expected, despite a challenging comparable (9M 2019: 9%). In Asia Pacific & ROW organic revenue trends remained mixed. In September, the division acquired XCM Solutions, a cloud-based workflow solutions provider for professional tax and accounting firms for €136 million.

Governance, Risk & Compliance (GRC): Nine-month revenues grew 4% organically (9M 2019: 3%), with recurring revenues posting sustained organic growth of 3%. Excluding transactional revenues associated with the PPP, organic growth would have been 1%, due to a decline in GRC transactional revenue of 6%. Legal Services recorded organic decline of 1% (9M 2019: organic growth of 5%), due to a decline in Legal Services transactional revenues as a result of lower demand for search, retrieval and filing. Within Legal Services, Enterprise Legal Management Solutions posted slightly positive organic growth. Financial Services organic revenue increased 11% (9M 2019: 2%). Excluding the PPP solution, Financial Services organic growth would have been 3%. Within Financial Services, Finance, Risk & Reporting posted positive, albeit slower single-digit organic growth, while Lien Solutions recorded organic revenue decline due to reduced economic activity in the U.S.

Legal & Regulatory: Nine-month revenues declined 2% organically (9M 2019: organic growth of 2%). EHS/ORM[2] and Legal Software achieved 7% organic growth against a challenging comparable in the prior year (9M 2019: 20%). In these software businesses, cloud-based subscription revenues sustained strong double-digit organic growth, while sales of software licenses and related implementation services declined. In Legal & Regulatory Information Solutions, organic revenue declined 3%, due to double-digit declines in print products and training services. Digital information solutions recorded good organic growth of 5% through the nine months. In September, the Legal & Regulatory division completed the divestment of ComplyTrack, a regulatory compliance solution for healthcare facilities.

Corporate costs declined 10% in constant currencies in the first nine months, due to reduced travel and other discretionary costs, and an additional insurance reimbursement in the third quarter.

[2] EHS/ORM: environmental, health & safety and operational risk management.

Cash Flow and Net Debt

Nine-month operating cash flow increased 21% in constant currencies, reflecting the increase in adjusted operating profit combined with reduced working capital outflows. Cash financing costs and cash tax paid increased. Adjusted free cash flow increased 26% in constant currencies, benefitting from the timing of cash spending against restructuring provisions.

Total net dividends paid to shareholders amounted to €316 million in the first nine months, including the interim dividend paid in September. Total acquisition spending, net of cash acquired and including transaction costs, was €173 million in the first nine months, primarily relating to the acquisition of XCM Solutions for €136 million on September 16, 2020. Divestiture proceeds, net of cash disposed and transaction costs, were €41 million and relate to several small divestments made in the first half of 2020 and the sale of ComplyTrack on September 6, 2020. The 2020 divestments all relate to the Legal & Regulatory division.

In the first nine months, €237 million in cashflow was deployed towards the share repurchase program.

As of September 30, 2020 net debt stood at €2,274 million (year-end 2019: €2,199 million). Twelve months' rolling net-debt-to-EBITDA was 1.5x compared to 1.6x at year-end 2019.

Share Buyback Programs

On February 26, 2020, we announced our intention to repurchase shares for up to €350 million during 2020, including repurchases to offset incentive share issuance. In the year to date, as of October 28, 2020, we have completed €275 million (4.1 million ordinary shares; average price €67.82) of this 2020 program. We have now granted a mandate to a third-party to execute up to €75 million in share buybacks on our behalf in the remainder of this year (the period starting November 2, 2020, up to and including December 29, 2020).

Looking ahead, we have also now signed a further third-party mandate to execute up to €50 million in share buybacks early next year (in the period starting January 4, 2021, up to and including February 22, 2021).

Both mandates are governed by the limits of relevant laws and regulations (in particular Regulation (EU) 596/2014) and Wolters Kluwer's Articles of Association. Repurchased shares are added to and held as treasury shares and are either cancelled or held to meet future obligations arising from share-based incentive plans. We remain committed to our anti-dilution policy which aims to offset the dilution caused by our annual incentive share issuance with share repurchases.

At the end of the third quarter 2020, we cancelled 5.5 million shares held in treasury, as approved by shareholders at the AGM in April 2020. Following this cancellation, the number of issued ordinary shares was 267,516,153. Of this, 264.0 million shares were outstanding and 3.5 million shares were held in treasury as of September 30, 2020.

Environmental, Social & Governance (ESG)

We continue to pay close attention to social and other non-financial matters. Throughout the past seven months, when approximately 95% of employees have been working from home, employee welfare and engagement levels have been regularly monitored through stepped up communication and pulse checks.

As of mid October, 96% of employees had completed our annual mandatory compliance training and we expect the completion rate for this online course to rise further by the end of the year. In addition to IT security, cybersecurity, and data privacy topics, our new Code of Business Ethics (launched in August 2020) was also part of this training exercise.

We made further progress on migrating on-premises data centers to energy-efficient cloud servers, thereby reducing our greenhouse gas emissions.

Full-Year 2020 Outlook Remains Suspended due to COVID-19 Uncertainty

The COVID-19 pandemic and the measures and restrictions to control it continue to create challenges for our customers and uncertainty around economic conditions for everyone. At this time, our specific 2020 guidance on adjusted operating profit margin, adjusted free cash flow, return on invested capital (ROIC), and diluted adjusted EPS remains suspended.

We remain cautious on the fourth quarter, given market conditions and challenging comparables. We continue to expect recurring revenues for digital information, software and services subscriptions to show resilience in the months ahead, but we note that new sales of subscription products are more difficult in current market conditions. Recurring revenues from print subscriptions have seen accelerated decline, which we expect will continue in the coming quarters. Of our non-recurring revenues[3] (FY 2019: 22% of total revenues), sales of new software licenses and implementation services are seeing delays, while transactional volumes, training, print books, and other ad hoc revenue products are likely to remain weak in current conditions. Travel restrictions and other temporary cost reductions initiated in the second quarter benefitted margins in the first nine months of the year. These measures and additional programs and restructuring planned for the second half are aimed at protecting the full-year 2020 adjusted operating profit margin while sustaining investment in key products and strategic infrastructure.

If current exchange rates persist, the U.S. dollar rate will have a negative effect on results reported in euros. In 2019, Wolters Kluwer generated more than 60% of its revenues and adjusted operating profit in North America. As a rule of thumb, based on our 2019 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.

Restructuring costs are included in adjusted operating profit. We now anticipate that restructuring costs will be in the range of €40-€50 million in 2020 (FY 2019: €26 million). We currently expect adjusted net financing costs of approximately €70 million in constant currencies[4], 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%-24% for 2020. Capital expenditure is now expected to be in the range of 5%-6% of total revenues (FY 2019: 4.9%). Cash repayments of lease liabilities are expected to be in line with depreciation of right-of-use assets (FY 2019: €80 million). We currently expect the full-year cash conversion ratio to be around 95% (FY 2019: 96%).

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.

2020 Outlook by Division

Health: We continue to expect full-year organic growth to be positive but slower than the 2019 level.

Tax & Accounting: We currently expect full-year organic growth to be flat to slightly positive due to a challenging comparable (FY 2019: 6%), difficult new sales conditions, lower license and implementation services revenues, and other factors.

Governance, Risk & Compliance: Excluding revenues associated with the PPP[1], we continue to expect revenues to see organic decline for the full year, due to declines in transactional volumes, software license and implementation fees, and other non-recurring revenues.

Legal & Regulatory: We continue to expect full year organic revenue to decline due to an accelerated decline in print products (compared to 2019), lower software license fees and implementation services, and soft trends in training and other non-recurring revenues.

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[3] Non-recurring revenues include revenues from transactional services, software license sales and implementation services, training, advertising, print books, and other products sold on an ad hoc basis.

[4] 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 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 specialized technology and services.

Wolters Kluwer reported 2019 annual revenues of €4.6 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 19,000 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 LinkedIn, Twitter, Facebook, and YouTube.

Financial Calendar 2021

February 24, 2021	Full-Year 2020 Results
March 10, 2021	Publication of 2020 Annual Report
April 22, 2021	Annual General Meeting of Shareholders
April 26, 2021	Ex-dividend date: 2020 final dividend
April 27, 2021	Record date: 2020 final dividend
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
September 30, 2021	Payment date: 2021 interim dividend ADRs
November 3, 2021	Nine-Month 2021 Trading Update

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