

Wolters Kluwer 2021 Nine-Month Trading Update

November 3, 2021 - Wolters Kluwer, a global leader in professional information, software solutions and services, today releases its scheduled 2021 nine-month trading update.

Highlights

- **Full-year 2021 outlook increased.**
- **Nine-month revenues up 6% organically.**
 - Recurring revenues (81% of total revenues) up 5% organically; non-recurring revenues up 9%.
 - Digital & services revenues (92% of total revenues) up 6% organically; print up 5%.
 - Expert solutions revenues (54% of total) up 6% organically.
- **Nine-month adjusted operating profit up 14% in constant currencies.**
- **Nine-month adjusted free cash flow up 30% in constant currencies.**
- **Net-debt-to-EBITDA ratio 1.5x as of September 30, 2021.**
- **Share buyback 2021: on track to reach €350 million.**
- **Share buyback 2022: mandate signed to buy back up to €50 million in January and February 2022.**

Nancy McKinstry, CEO and Chairman of the Executive Board, commented: *“I am pleased to report that in the first nine months of the year, we have seen consistent growth in recurring revenues, led by subscriptions to cloud software and other expert solutions. This performance continued to be enhanced by a sharp post-pandemic rebound in non-recurring revenue streams, against a low base in the prior period. Underlying operating costs increased in the third quarter, as expected, as we invest in recruiting and developing the talent to drive future growth.”*

Nine Months to September 30, 2021

Total revenues increased 2%, due to the negative impact of exchange rates (mainly the weaker U.S. dollar) during the first nine months of the year. In constant currencies, revenues increased 7%, with the impact of disposals outweighed by the impact of acquisitions. Excluding currency, acquisitions and disposals, organic revenue growth was 6% (9M 2020: 3%). Subscriptions and other recurring revenues (81% of total revenues) sustained 5% organic growth (9M 2020: 5%), while non-recurring revenues increased 9% organically (9M 2020: decline of 4%). Non-recurring revenues include transactional revenues in Governance, Risk & Compliance (GRC), print books, and other ad hoc revenues.

Digital and services formats grew 6% organically, with total software revenues up 6%. Total print revenues rose 5% (9M 2020: decline of 15%), mainly comprised of a 20% increase in print books revenues (9M 2020: organic decline of 23%) and a 6% decline in print subscriptions (9M 2020: decline of 10%). Revenues from North America (62% of total revenues) grew 7% organically (9M 2020: 4%) while revenues from Europe (31% of total) grew 6% (9M 2020: 2%). Asia Pacific & Rest of World (7% of total) recorded organic growth of 2% (9M 2020: 0%).

Nine-month adjusted operating profit increased 9% overall and 14% in constant currencies. The adjusted operating profit margin was up 160 basis-points year-on-year, driven mainly by operational gearing and lower restructuring costs. Nine-month margins increased year-on-year in all divisions, except Tax & Accounting, where investment was increased. In the third quarter, group-wide adjusted operating costs before restructuring costs increased by 9% in constant currencies compared to the third quarter of 2020, reflecting the expected step up in hiring and investment to support growth.

Health: Nine-month revenues increased 9% in constant currencies and 9% on an organic basis (9M 2020: 4%). Clinical Solutions delivered steady 7% organic growth in the first nine months, mainly supported by renewals, upsells, and new customer wins for both UpToDate and our drug information solutions. Patient engagement revenues remained soft in the first nine months, while performance in our clinical software unit was mixed. Health Learning, Research & Practice recorded 11% organic growth (9M 2020: 2%), driven by a strong rebound in print book sales (up 52% in the first nine months) and the first-year inclusion of the American Society of Clinical Oncology (ASCO) journal publishing contract. In addition, digital products, such as medical research platform Ovid, sustained good organic growth. Continuing medical education revenues were weak against a challenging comparable.

Tax & Accounting: Nine-month revenues increased 8% in constant currencies, with the contribution from

acquisitions (XCM Solutions acquired September 2020; Vanguard Software acquired May 2021) partly offset by the deconsolidation of ProSoft (divested June 2021). Organic revenue growth was 6% (9M 2020: 4%). Corporate Performance Solutions delivered double-digit organic growth, led by CCH Tagetik which grew 15% organically in the first nine months. Tax & Accounting North America sustained 5% organic growth, driven by strong organic growth in CCH Xcess cloud software. Tax & Accounting Europe also maintained robust organic growth while trends in Asia Pacific remained mixed.

Governance, Risk & Compliance (GRC): Nine-month revenues increased 8% in constant currencies, including the contribution from eOriginal (acquired December 2020). Organic growth was 5% (9M 2020: 4%). Legal Services (LS) recorded organic growth of 11% (9M 2020: decline of 1%), buoyed by a double-digit rebound in LS transactional revenues at CT Corporation. Enterprise Legal Management Solutions posted modest but improved organic growth. Financial Services revenues declined 3% on an organic basis, as expected, due to the challenging comparable created by PPP¹ revenues in 2020. Excluding PPP, Financial Services organic growth would have been 2%, supported by Lien Solutions which recorded double-digit organic growth in transactional revenues. Finance, Risk & Reporting recorded modest organic revenue decline as a result of lower software license and implementation fees.

Legal & Regulatory: Nine-month revenues were stable in constant currencies due to several small divestitures made in 2020. Organic growth was 4% (9M 2020: decline of 2%). EHS/ORM² and Legal Software delivered 6% organic growth (9M 2020: 7%), with double-digit growth in cloud-based software subscriptions partly offset by a decline in on-premise software licenses and implementation services. Legal & Regulatory Information Solutions revenues increased 3% organically (9M 2020: decline of 3%), driven by robust growth in digital products for legal research. While U.S. legal educational textbooks grew year-on-year, overall print revenues declined. In September, the division announced an agreement to sell the U.S. legal education assets for \$88 million in cash. This transaction is currently expected to be completed around year-end 2021 and will result in a one-time, non-benchmark capital gain. As previously indicated, following completion, the after-tax proceeds (approximately €60 million) will be deployed towards share repurchases.

Corporate costs declined 8% in constant currencies in the first nine months, due to reduced costs related to projects.

Cash Flow and Net Debt

Nine-month adjusted operating cash flow increased 30% in constant currencies, driven by strong and better-than-expected working capital inflows compared to outflows in the comparable period a year ago. Net cash spending on restructuring, financing and tax increased. Adjusted free cash flow increased 30% in constant currencies.

Total net dividends paid to shareholders amounted to €352 million in the first nine months. Total acquisition spending, net of cash acquired and including transaction costs, was €100 million in the first nine months, primarily relating to the acquisition of Vanguard Software for \$110 million in May 2021. Divestiture proceeds, net of cash disposed and transaction costs, were €1 million. In the first nine months, €273 million in cashflow was deployed towards the share repurchase program.

As of September 30, 2021, net debt stood at €2,309 million (year-end 2020: €2,383 million). Twelve months' rolling net-debt-to-EBITDA was 1.5x compared to 1.7x at year-end 2020.

Environmental, Social & Governance (ESG)

In August, we completed our first diversity, equity, and inclusion (DE&I) survey, resulting in a baseline quantitative measure of *belonging*, which indicates the extent to which employees feel they can be authentic and fully accepted at work. The survey highlights several areas of strength and opportunity that will inform our integrated action plan to drive stronger belonging and employee engagement results in 2022.

In September, we commenced our annual all-employee compliance training program, covering general IT and cyber security, data privacy, ethics, and our company values. As of the end of October, 99% of employees

¹ PPP refers to the U.S. Small Business Association Paycheck Protection Program established by the 2020 U.S. CARES Act. Wolters Kluwer Compliance Solutions (part of Governance, Risk & Compliance) supported its bank customers in lending under this program.

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

had completed the course.

Share Buyback Programs

On February 24, 2021, we announced our intention to repurchase shares for up to €350 million during 2021, including repurchases to offset incentive share issuance. In the year to date, as of November 1, 2021, we have completed €299 million (3.9 million ordinary shares; average price €77.45) of this 2021 program. On November 2, we granted a mandate to a third-party to execute up to €51 million in share buybacks on our behalf in the remainder of this year (the period starting November 4, 2021, up to and including December 29, 2021). When completed, this will bring total share repurchases to €350 million in the full year.

We have also signed a second third-party mandate to execute up to €50 million in share buybacks for the period starting January 3, 2022, up to and including February 21, 2022.

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.

In September 2021, we cancelled 5.0 million shares that were held in treasury, as approved by shareholders at the AGM in April 2021. Following this cancellation, the number of issued ordinary shares is currently 262,516,153. As of September 30, 2021, 259.6 million shares were outstanding and 3.0 million shares were held in treasury.

Full-Year 2021 Outlook

We continue to expect all divisions to see a year-on-year improvement in organic growth, partly reflecting a rebound in non-recurring revenue streams. We expect organic growth to moderate in the fourth quarter as trends in print books and other non-recurring revenues reverse or slow. We continue to expect underlying operating costs to rise in the fourth quarter and into next year, as we step up investment and hiring to support growth, and as we partly restore travel, promotion, and other costs that were curtailed during the height of the pandemic. We have started implementing plans for a gradual return to our offices (when and where circumstances allow), with currently some around 15% of employees back in office.

Due to better-than-anticipated cash conversion, we now expect adjusted free cash flow to be around €975 million in constant currencies, around the upper end of our previously guided range (€925-€975 million). Including a one-time lower tax rate in 2021, we now expect diluted adjusted EPS growth to reach low double-digits in constant currencies. However, given current exchange rates, we now expect a foreign exchange loss on intercompany balances (compared to a gain in 2020) which we anticipate will result in single-digit growth in diluted adjusted EPS in reported currency.

Full-Year 2021 Outlook

Performance indicators	2021 Guidance	Previous 2021 Guidance	2020 Actual
Adjusted operating profit	Around 25.0%	Around 25.0%	24.4%
Adjusted free cash flow	Around €975 million	€925-€975 million	€907 million
ROIC	Around 12.5%	Around 12.5%	12.3%
Diluted adjusted EPS	Low double-digit growth	High 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 €/\$1.18. 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 EPS³.

³ Excludes the impact of exchange rate movements on intercompany balances, which is included in adjusted net financing costs and which is determined based on period-end spot rates and balances.

We include restructuring costs in adjusted operating profit. We currently 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 currencies⁴, including approximately €10 million in lease interest charges. Following the closure of tax audits, we now anticipate a one-time release of tax contingencies this year, which will lower our 2021 benchmark effective tax rate on adjusted pre-tax profits to below our previously guided range (23.0-24.0%).

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 now expect the full-year cash conversion ratio to be around 105% 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 continue to expect organic growth to improve over 2020 levels, despite a reversal in Health Learning, Research & Practice print book trends in the fourth quarter. We now expect the full-year adjusted operating profit margin to improve due to operational gearing and a slower fading of temporary cost savings.

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

Governance, Risk & Compliance: We continue to expect organic growth to improve from 2020 levels, as a rebound in Legal Services transactional revenues is now expected to more than compensate for lower revenues associated with the PPP¹. We expect the full-year adjusted operating profit margin to improve on the back of lower restructuring and provisions, despite rising investment.

Legal & Regulatory: We continue to expect the division to return to positive organic growth this year, although the fourth quarter is expected to be negatively affected by the timing of print publications. We expect the adjusted operating profit margin to improve as lower restructuring more than offsets increased investment.

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, follow us on [Twitter](#), [Facebook](#), [LinkedIn](#), and [YouTube](#).

Financial Calendar

February 23, 2022	Full-Year 2021 Results
March 9, 2022	Publication of 2021 Annual Report and ESG Data Overview
April 21, 2022	Annual General Meeting of Shareholders
April 25, 2022	Ex-dividend date: 2021 final dividend
April 26, 2022	Record date: 2021 final dividend

⁴ Guidance for adjusted net financing costs in constant currencies excludes the impact of exchange rate movements on currency hedging and intercompany balances.

May 4, 2022	First-Quarter 2022 Trading Update
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

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