

## Wolters Kluwer 2016 First-Quarter Trading Update

May 11, 2016 - Wolters Kluwer, a global leader in professional information services, today released its scheduled 2016 first-quarter trading update.

### Highlights

- Full-year 2016 guidance reiterated.
- First-quarter revenues up 2% in constant currencies and up 3% organically.
  - Digital & services revenues continue to drive the group's organic growth.
- First-quarter adjusted operating profit margin increased.
- First-quarter adjusted free cash flow increased in constant currencies.
- Net-debt-to EBITDA ratio 1.5x as of 31 March, 2016.

Nancy McKinstry, CEO and Chairman of the Executive Board, commented:

*"Our overall performance in the first quarter was in line with our expectations and we are on track to achieve our outlook for 2016. We continue to allocate capital towards our leading growth units and digital products, with increasing focus on expert solutions that help our professional customers be more effective and productive in their daily workflow. We also remain focused on driving efficiencies across the board to help fund our ongoing program of product innovation."*

### First Quarter Developments

In the first quarter, revenues increased 2% at constant currencies and 3% on an organic basis. The effect of divestitures on revenues exceeded the effect of acquisitions in the first quarter. In reporting currency, revenues rose 3%, reflecting a 1% positive impact on revenues from currency, as the stronger U.S. Dollar (average EUR/USD 1.10 in the quarter) outweighed weakness in other currencies. Organic growth was supported by solid momentum in recurring revenues. Non-recurring revenues, in aggregate, advanced at a more moderate pace in the first quarter, largely as expected. The quarter saw deceleration in North America and Asia Pacific & ROW offset by improvement in Europe. The first-quarter adjusted operating profit margin increased compared to a year ago, supported by the ongoing shift in business mix, lower restructuring charges, the results of efficiency programs, and disposals of certain loss-making units.

Health achieved good organic growth and increased its adjusted operating profit margin in the first quarter. Organic growth benefitted from phasing which will reverse in the second quarter. Clinical Solutions delivered strong organic growth, led by *UpToDate*. Health Learning, Research & Practice performed well on an organic basis, supported by growth in digital subscription revenues. For the full year, we continue to anticipate another year of good organic revenue growth for the division, supported by robust organic growth in Clinical Solutions and a gradually improving trend in Health Learning, Research & Practice. Margins are expected to improve slightly even as we continue to invest to drive organic growth.

Tax & Accounting delivered modest organic growth, in line with our expectations, largely reflecting seasonal patterns and timing. Adjusted operating profit margins declined, in line with our guidance, due to increased product investment. Growth in software solutions continued to be partly offset by weakness in print formats, bank products and training, as anticipated. For the full year, we expect underlying revenue growth to slightly improve from 2015 levels, driven by continued mix shift towards software solutions. The first half is, however, expected to see slower growth due to seasonal sales patterns and timing effects. Margins are expected to ease in the first half, but to be maintained for the full year.

Governance, Risk & Compliance delivered good organic growth, albeit slower than in the comparable quarter of 2015. Legal Services (the former Corporate Legal Services unit excluding CT Lien Solutions) saw recurring subscription revenues and transaction fees grow at a more moderate pace. Financial Services (which comprises all units serving financial services customers, including CT Lien Solutions) also experienced more temperate growth as it faced challenging comparables related to last year's strong growth in software implementations and the enactment of the TILA RESPA regulation. Transport Services saw revenue decline as expected. For the full year, we continue to expect the division to deliver positive but slower organic growth, given demanding comparables for transactional and non-recurring license and implementation fees. The latter effect is expected to be more pronounced in the second quarter. Full-year margins are expected to

improve slightly.

Legal & Regulatory saw its rate of organic revenue decline improve compared to the comparable quarter. Digital solutions grew well, but this performance was, as expected, more than offset by lower revenues from print formats. Overall divisional revenues also reflect a number of divestitures completed in 2015. The divisional adjusted operating profit margin improved due to lower restructuring costs, operating efficiencies, and certain divestitures. For the full-year, we continue to expect the division's organic revenue decline to be similar to 2015, with print trends continuing to outweigh growth in digital. Organic growth in the first half is expected to benefit from timing and one-off factors. Full-year margins are expected to improve due mainly to lower restructuring costs; savings are expected to be reinvested in wage inflation and increased product investment.

### **Cash Flow and Net Debt**

Cash conversion was broadly stable in the first quarter compared to a year ago. Adjusted free cash flow increased in constant currencies, mainly as a result of higher adjusted operating profit. First quarter net acquisition spending, net of cash acquired, was €8 million. Twelve-months-rolling net-debt-to-EBITDA was 1.5x at the end of March and remains favorable to target (2.5x).

In February 2016, we announced a share buyback program for up to €600 million over three years (2016-2018). As of May 10, a total of 0.3 million ordinary shares have been repurchased for a total consideration of approximately €10 million.

A final dividend of €0.57 per share was approved at the Annual General Meeting of Shareholders in April and will be paid in the second quarter. The final dividend brings the total dividend over the 2015 financial year to €0.75 per share, an increase of 6% compared to the 2014 dividend. For 2016, the interim dividend will again be set at 25% of the prior year's total dividend.

### **Full-Year 2016 Outlook**

We reaffirm our full-year 2016 guidance. The table below provides our guidance for the full-year.

#### **2016 Outlook**

<b>Performance indicators</b>	<b>2016 guidance</b>
Adjusted operating profit margin	21.5%-22.0%
Adjusted free cash flow	€600-€625 million
Return on invested capital	> 9%
Diluted adjusted EPS	Mid-single-digit growth

Guidance for adjusted free cash flow and diluted adjusted EPS is in constant currencies (EUR/USD 1.11). Guidance for EPS growth assumes the announced share repurchases are equally spread over 2016-2018. Adjusted operating profit margin and ROIC are in reported currency.

Our guidance is based on constant exchange rates. In 2015, Wolters Kluwer generated more than half of its revenues and adjusted operating profit in North America. As a rule of thumb, based on our 2015 currency profile, a 1 U.S. cent move in the average EUR/USD exchange rate for the year causes an opposite change of approximately one and a half euro-cents in diluted adjusted EPS.

Restructuring costs, which are included in adjusted operating profit, are expected to start returning to normal levels in 2016: we expect these costs to be around €15-€25 million in 2016 (2015: €46 million). We expect adjusted net financing costs of approximately €105 million, excluding the impact of exchange rate movements on currency hedging and intercompany balances. We expect the benchmark effective tax rate to return to the range of 27%-28% in 2016. We expect a cash conversion ratio of approximately 95%, with capital expenditure rising to around 5% of total revenue.

Our guidance assumes no significant change in the scope of operations. We may make further disposals which could be dilutive to margins and earnings in the near term.

## About Wolters Kluwer

Wolters Kluwer is a global leader in information services and solutions for professionals in the areas of health, tax and accounting, finance, risk and compliance, and legal. 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 2015 annual revenues of €4.2 billion. The group, headquartered in Alphen aan den Rijn, the Netherlands, serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 19,000 people worldwide.

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 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](http://www.wolterskluwer.com) and follow us on Twitter, Facebook, LinkedIn and YouTube.

## Financial Calendar

May 12, 2016	Payment date: 2015 final dividend ordinary shares
May 19, 2016	Payment date: 2015 final dividend ADRs
July 29, 2016	Half-Year 2016 Results
August 29, 2016	Ex-dividend date: 2016 interim dividend
August 30, 2016	Record date: 2016 interim dividend
September 14, 2016	Payment date: 2016 interim dividend ordinary shares
September 21, 2016	Payment date: 2016 interim dividend ADRs
November 2, 2016	Nine-Month 2016 Trading Update
February 22, 2017	Full-Year 2016 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.*