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## Reed Elsevier 2012 Results

28 February 2013

**Reed Elsevier, the global professional information company, reports growth in revenue, operating profit and earnings in the twelve months to 31 December 2012.**

### Financial highlights

- Underlying revenue growth +4% (+3% excluding biennial exhibition cycling) to £6,116m/€7,523m
- Underlying adjusted operating profit growth +6% to £1,713m/€2,107m
- Adjusted EPS +7% to 50.1p for Reed Elsevier PLC; +14% to €0.95 for Reed Elsevier NV
- Reported EPS +42% to 46.0p for Reed Elsevier PLC; +53% to €0.90 for Reed Elsevier NV
- Full year dividend +7% to 23.0p for Reed Elsevier PLC; +7% to €0.467 for Reed Elsevier NV
- Return on invested capital up by 0.7 percentage points to 11.9%
- Net debt £0.3bn lower at £3.1bn; 2.2x EBITDA pensions and lease adjusted (1.7x unadjusted)

### Operational highlights

- Revenue growth driven by volume growth, new products, and expansion in high growth markets
- Profitability gains driven by process innovation and portfolio development
- All five business areas contributed to underlying revenue and profit growth
- Continued improvement in revenue mix by format, geography, and type
- Accelerated portfolio reshaping; gross proceeds from disposal of non-core businesses £242m
- £250m of share buybacks completed in 2012
- £100m of share buybacks completed in 2013 YTD; further £300m to be deployed in remainder of 2013

#### Commenting on the results, Anthony Habgood, Chairman, said:

"Reed Elsevier executed well on its strategic and financial priorities in 2012. Positive revenue momentum and focus on operating efficiency combined to lift underlying operating profit growth and earnings. We have continued to strengthen our balance sheet while maintaining organic investment, and sharpening the focus of our business. We are recommending a 7% increase in the full year dividends for both Reed Elsevier PLC and Reed Elsevier NV, reflecting our confidence in the long term outlook for Reed Elsevier."

#### Chief Executive Officer, Erik Engstrom, commented:

"In 2012 we made good progress on our strategy to systematically transform our business into a professional information solutions provider that combines content & data with analytics & technology in global platforms. We continued to do this primarily through organic development, with acquisitions limited to small content and data assets across markets and assets in high growth geographies. We also accelerated the evolution of our portfolio by disposing of businesses that no longer fit our strategy, using the proceeds to buy back shares. As a result of these actions we are continuing to improve the quality of our earnings, to deliver more predictable revenues, a higher growth profile, and improving returns."

By the end of 2012 approximately 80% of our revenues were in our targeted formats of electronic and face to face, which generated average underlying revenue growth rates of +5-7%. Although the outlook for the macro environment, and its impact on our customer markets, is mixed, we have entered 2013 with positive momentum, and expect another year of underlying revenue, profit, and earnings growth."

#### REED ELSEVIER FINANCIAL AND OPERATIONAL HIGHLIGHTS

Results for the year to 31 December 2012 reflect the good progress that has been made against Reed Elsevier's strategic and financial priorities.

**Revenue of £6,116m/€7,523m; underlying growth +4% (+3% excluding biennial exhibition cycling):** All five business areas contributed to underlying growth, with particular strength in online data services in Risk Solutions and Business Information, in electronic revenue streams across all markets, and in Exhibitions. At the end of 2012 electronic and face to face revenue streams accounted for approximately 80% of all Reed Elsevier revenues and generated average underlying revenue growth rates of +5-7% across market segments.

**Adjusted operating profit £1,713m/€2,107m; underlying growth +6%:** The improvement in adjusted operating profitability was driven by a combination of process innovation and portfolio development across all business areas. Reported operating profit, after amortisation of acquired intangible assets, increased by 13% to £1,358m/€1,670m.

**Return on invested capital 11.9%, up by 0.7%pts on 2011:** The ROIC increase was primarily driven by an increase in adjusted operating profit coupled with a slight reduction in invested capital.

**Interest and tax:** Net finance costs were lower at £216m/€266m, including the benefit of term debt refinancing. The adjusted tax charge was £354m/€435m, reflecting higher profits and a slight increase in the adjusted tax rate on profits from 23.3% in 2011 to 23.6% in 2012.

**Adjusted EPS up +7% to 50.1p for Reed Elsevier PLC, up +14% to €0.95 for Reed Elsevier NV; constant currency growth +8%:** Reported EPS growth was +42% to 46.0p for Reed Elsevier PLC, +53% to €0.90 for Reed Elsevier NV.

**Full year dividend up +7% to 23.0p for Reed Elsevier PLC; up +7% to €0.467 for Reed Elsevier NV:** The proposed final dividend for Reed Elsevier PLC is up +7% to 17.0p, following a +6% increase in the interim dividend. The proposed final dividend for Reed Elsevier NV is up +3% to €0.337, following a +18% increase in the interim dividend. The difference in the interim and final dividend growth rates reflects exchange rate movements between the declaration dates. The Reed Elsevier PLC and Reed Elsevier NV full year dividends are covered 2.2x and 2.0x by adjusted EPS respectively.

**Net debt/EBITDA 2.2x on a pensions and lease adjusted basis; 94% cash conversion:** Net debt was £3.1bn/€3.8bn on 31 December 2012, down from £3.4bn/€4.1bn last year. Net debt/EBITDA was down from 2.3x last year, and on an unadjusted basis, net debt/EBITDA was 1.7x for the year ended 31 December 2012, down from 1.8x last year. The rate of adjusted operating cash flow conversion was 94%, up from 93% in 2011, with capital expenditure at 5.5% of revenues.

**Strategic progress:** In 2012 we made good progress on our strategy to transform our business into a professional information solutions provider that delivers improved outcomes to professional customers across industries. We continued to do this by combining content & data with analytics & technology in global platforms, leveraging our institutional skills, assets and resources across Reed Elsevier, both to build solutions for our customers and to pursue cost efficiencies.

**Focus on organic development:** In 2012 we continued to pursue our strategy primarily through organic development, investing in digital platforms such as New Lexis, and new launches of products and events. Acquisitions were limited to small content and data assets across all markets, such as EDIWatch in Risk Solutions and Atira in Elsevier, and assets in high growth geographies, such as Alcantara Machado, the leading exhibitions organiser in Brazil.

**Disposals and share buybacks:** In 2012 we disposed of a number of businesses that no longer fit our strategy and used the gross proceeds of £242m to buy back shares in order to mitigate some of the EPS dilution associated with those disposals. In 2012 we deployed a total of £250m on share buybacks. Since the beginning of 2013 we have deployed an additional £100m, and based on our strong financial position and planned disposals we intend to complete a further £300m of share buybacks in the remainder of 2013 to mitigate EPS dilution associated with ongoing disposals.

## 2013 OUTLOOK

In 2013 we will remain focused on the systematic transformation of our business and on improving the quality of our earnings. While the outlook for the macro environment, and its impact on our customer markets, is mixed, and 2013 will be a cycling out year for our exhibitions business, we have entered the year with positive momentum, and expect 2013 to be another year of underlying revenue, profit, and earnings growth.

## REED ELSEVIER FINANCIAL SUMMARY

	£			€			Change at constant currencies	Underlying growth rates
	Year ended 31 December			Year ended 31 December				
	2012 £m	2011 £m	Change	2012 €m	2011 €m	Change		
Revenue	6,116	6,002	+2%	7,523	6,902	+9%	+3%	+4%*
Adjusted operating profit	1,713	1,626	+5%	2,107	1,870	+13%	+6%	+6%
Adjusted operating margin	28.0%	27.1%		28.0%	27.1%			
Net interest expense	(216)	(235)		(266)	(270)			
Adjusted profit before tax	1,497	1,391	+8%	1,841	1,600	+15%	+8%	
Tax	(354)	(324)		(435)	(373)			
Minority interests	(5)	(7)		(6)	(8)			
Adjusted net profit	1,138	1,060	+7%	1,400	1,219	+15%	+8%	
Reported net profit	1,069	760	+41%	1,315	874	+50%	+40%	
Net borrowings	3,127	3,433		3,846	4,119			
ROIC	11.9%	11.2%		11.9%	11.2%			

\* +3% excluding biennial exhibition cycling

## PARENT COMPANIES

	Reed Elsevier PLC			Reed Elsevier NV			Change at constant currencies
	Year ended 31 December			Year ended 31 December			
	2012 pence	2011 pence	Change	2012 €	2011 €	Change	
Adjusted earnings per share	50.1p	46.7p	+7%	€0.95	€0.83	+14%	+8%
Reported earnings per share	46.0p	32.4p	+42%	€0.90	€0.59	+53%	
Ordinary dividend per share	23.00p	21.55p	+7%	€0.467	€0.436	+7%	

Adjusted and underlying figures are additional performance measures used by management. Reconciliations between the reported and adjusted figures are set out in note 4 to the combined financial information on page 28. The reported operating profit figures are set out in note 2 on page 24. Unless otherwise indicated, all percentage movements in the following commentary refer to performance at constant exchange rates. Underlying growth rates are calculated at constant currencies, and exclude the results of all acquisitions and disposals made in both the year and prior year and assets held for sale. Constant currency growth rates are based on 2011 full year average and hedge exchange rates.

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