Wiley Reports Fourth Quarter and Fiscal Year 2014 Results

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- Fourth quarter adjusted revenue of $457 million, up 2% on a constant currency basis
- Fiscal year adjusted revenue of $1,775 million, up 4% on a constant currency basis
- Percent of revenue in Fiscal Year 2014 (FY14) from digital knowledge and knowledge-enabled services increased to 55% from 51% a year earlier
- Fourth quarter adjusted EPS of $0.77, up 4% on a constant currency basis
- Fiscal year adjusted EPS of $3.05, up 4% on a constant currency basis
- Fiscal Year 2015 outlook of mid-single-digit revenue growth and EPS in a range of $3.25 to $3.35, including a 10-cent per share dilutive earnings impact from recently acquired CrossKnowledge and Profiles International

John Wiley & Sons, Inc. (NYSE: JWa and JWb), a global provider of knowledge and knowledge-enabled services that improve outcomes in research, professional practice, and education, today announced the following results for the fourth quarter and fiscal year 2014, ending April 30, 2014:

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<th></th>
<th>$ millions</th>
<th>FY14</th>
<th>FY13</th>
<th>Excluding FX</th>
<th>Including FX</th>
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<tbody>
<tr>
<td><strong>ADJUSTED</strong> Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Q4</td>
<td>$457</td>
<td>$441</td>
<td>2%</td>
<td>4%</td>
<td></td>
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<tr>
<td>Full Year</td>
<td>$1,775</td>
<td>$1,715</td>
<td>4%</td>
<td>3%</td>
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<tr>
<td><strong>EPS</strong></td>
<td></td>
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<tr>
<td>Q4</td>
<td>$0.77</td>
<td>$0.71</td>
<td>4%</td>
<td>8%</td>
<td></td>
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<tr>
<td>Full Year</td>
<td>$3.05</td>
<td>$2.92</td>
<td>4%</td>
<td>4%</td>
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<tr>
<td><strong>US GAAP</strong> Revenue</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Q4</td>
<td>$457</td>
<td>$446</td>
<td>1%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Full Year</td>
<td>$1,775</td>
<td>$1,761</td>
<td>1%</td>
<td>1%</td>
<td></td>
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</table>
Please see the attached financial schedules for more detail

Management Commentary

“We are very pleased with our operational performance this year, including our continued progress in expanding Wiley’s depth and breadth as a provider of knowledge-enabled solutions,” said Steve Smith, President and CEO of Wiley. “We exceeded our annual guidance for adjusted revenue growth and earnings, successfully executed on our restructuring plans to achieve a lower and more flexible cost structure, and recently acquired two companies that position Wiley to become a solutions leader in professional learning and development. Our share of revenue from print books is down to 29%, and through organic investment and targeted acquisitions, and by integrating content, technology, and services, we have accelerated our strategy to provide professionals, students, and researchers with valued solutions that serve their needs from education through employment.”

Fiscal Year 2015 Outlook

Wiley’s fiscal year 2015 outlook is for mid-single-digit revenue growth and EPS in a range of $3.25 to $3.35, including a 10-cent per share dilutive earnings impact from recently acquired CrossKnowledge and Profiles International.

Fourth Quarter Summary

- **Adjusted revenue on a constant currency basis** rose 2% to $457 million. Adjusted revenue excludes $5 million of revenue from the divested consumer publishing programs in the prior year. Education (+10%) and Research (+2%) drove results, offsetting a 2% decline in Professional Development. Revenue grew 1% on a US GAAP basis excluding foreign exchange.

- **Adjusted earnings per share (EPS) on a constant currency basis** grew 4% to $0.77. Adjusted EPS excludes certain one-time or unusual items in both years as further described in the attached reconciliation of US GAAP to Adjusted EPS. The divested consumer publishing programs did not have a material impact on EPS in the prior year period. US GAAP EPS for the fourth quarter was $0.60 vs. $0.13 in the prior year.

- **Wiley acquired Profiles International in the quarter for $51 million. After the quarter closed, Wiley acquired CrossKnowledge for $175 million.** Profiles International, a pre-hire assessment and talent management provider, reported $27 million of revenue and over $5 million of EBITDA in its fiscal year ending December 31, 2013. CrossKnowledge, a learning solutions provider focused on leadership and managerial skills development, reported over $37 million of revenue and $9 million of EBITDA in its fiscal year ending June 30, 2013. The acquisitions were financed with cash-on-hand and capacity available under our revolving credit facility.

- **Wiley recorded an additional restructuring charge** of $15.4 million ($0.17 per share) this quarter related to its previously announced restructuring program. Including this charge, Wiley has recorded $67.2 million in restructuring charges since the program was announced in January 2013. Plans have been completed to achieve $80 million in run rate savings, beginning in FY15. Approximately half of these savings will be reinvested in the business.

- **Share repurchases:** In the quarter, Wiley repurchased 437,800 shares for $24.8 million, an average cost of $56.79 per share.

Fiscal Year Summary

- **Adjusted revenue on a constant currency basis** grew 4% over prior year to $1,775 million. Adjusted revenue excludes the prior year revenue of the divested consumer publishing programs ($45.6 million of revenue in FY13). Education (+12%) and Research (+3%) drove results, offsetting a 2% decline in Professional Development. Revenue grew 1% on a US GAAP basis.

- **Adjusted EPS on a constant currency basis** grew 4% to $3.05. Adjusted EPS excludes certain one-time or unusual items in both years further described in the attached reconciliation of US GAAP to Adjusted EPS. The divested consumer publishing programs did not have a material impact on EPS in the prior year period. US GAAP EPS for fiscal year 2014 was $2.70 vs. $2.39 in the prior year.

- **Adjusted shared services and administrative costs** grew 7% for the year to $420.2 million, driven primarily by higher investment in technology (+13%). Higher incentive compensation accruals offset savings from the restructuring program.

- **Free Cash Flow** of $250 million was $22 million (+10%) ahead of the prior year. Improved earnings and lower disputed income tax deposits paid to the German government more than offset cash payments related to restructuring. In addition, higher accrued incentive compensation in the current period (reflected in Other Liabilities) offset the benefit from accelerated collections in the prior period (reflected in Deferred Revenue).

- **Net Debt and Cash Position:** Net debt (long-term debt less cash and cash equivalents) at the end of April was $214 million, down from $339 million at the end of the prior year. Net debt to EBITDA was at 0.5x on a trailing twelve month (ttm) basis. Cash and cash equivalents as of April 30, 2014, were $486 million. Note that the CrossKnowledge acquisition ($175 million purchase price) closed on May 1.

- **Share repurchases:** In fiscal year 2014, Wiley repurchased 1.25 million shares for $63.4 million, an average cost of $50.79. As of April 30, the Company had nearly 3.3 million shares remaining in the repurchase program announced in June 2013.

- **Dividend:** In June 2013, Wiley increased its quarterly dividend by 4% to $0.25. It was the 20th consecutive annual increase, and followed a 20% increase in June 2012.

Adjusted Results

The Company provides financial measures referred to as “adjusted” revenue, contribution to profit, and EPS, which exclude restructuring charges, operating results from divestitures, impairment charges, gain on the sale of publishing programs, and certain one-time tax benefits and charges. Variances to adjusted revenue, contribution to profit, and EPS exclude FX impacts unless otherwise noted. Management believes the exclusion of such items provides additional information to facilitate the analysis of results. These non-GAAP measures are not intended to replace the financial results reported in accordance with GAAP.
Throughout this report, references are made to variances “excluding foreign exchange” or “on a constant currency basis”; such amounts exclude both period-over-period currency translation effects and transactional gains and losses.

RESEARCH

- **Revenue:** Fourth quarter revenue on a constant currency basis rose 2% to $296.8 million, driven by journal subscription revenue growth (+2%), author-funded open access (+$3.6 million), and digital books (+32%). Partially offsetting this growth was a 9% decline in print book revenue and 5% decline in other revenue, which includes corporate reprints, backfiles, rights income, and advertising. For the year, revenue on a constant currency basis was up 3% to $1,044 million, driven by journal subscriptions (+4%), open access (+$11.5 million), and digital books (+27%).
- **Adjusted Contribution to Profit:** Fourth quarter adjusted contribution to profit (after allocated shared services and administrative costs) grew 3% on a constant currency basis to $104.8 million, with revenue growth and restructuring savings offsetting higher accrued incentive compensation and additional operating costs related to business growth. Adjusted contribution to profit excludes restructuring charges. For the year, adjusted contribution to profit (after shared services and administrative costs) grew 4% to $315.7 million, excluding the impact of foreign exchange.
- **Calendar Year 2014 Journal Subscriptions:** At the end of April, calendar year 2014 journal subscriptions were up 2% on a constant currency basis, with 96% of targeted business closed for the 2014 volume year.
- **Society Business:** 16 society journals were renewed in the quarter with combined annual revenue of $7.9 million, there were no new signings or journals lost. In the fiscal year, Wiley signed 7 new journals worth $10.6 million annually, renewed 85 journals with combined annual revenue of $39.7 million, and lost 11 journals worth $6.9 million annually.

PROFESSIONAL DEVELOPMENT

- **Adjusted Revenue:** Fourth quarter adjusted revenue declined 2% to $93.0 million. Adjusted revenue excludes revenue from the divested consumer publishing programs ($5 million) in the prior year period. Adjusted revenue performance was aided by a one-month revenue contribution of $1.9 million from the April 1 acquisition of Profiles International, a pre-hire assessment provider. Excluding that contribution, online training and assessment grew 31%. Within book revenue, weakness in the Technology and Consumer categories offset growth in Business and Finance. For the year, adjusted revenue on a constant currency basis was down 2% to $363.9 million.
- **Adjusted Contribution to Profit:** Fourth quarter adjusted contribution to profit (after allocated shared service and administrative costs) grew 58% to $9.5 million due to restructuring savings and higher margin solutions revenue, offsetting the decline in the combined revenues for print and digital books. Adjusted contribution to profit excludes restructuring charges and the operating results, gains/losses, and impairment charges from the divestment of the consumer publishing program in the prior year. For the year, adjusted contribution to profit (after shared services and administrative costs) grew 50% to $32.2 million, excluding the impact of foreign exchange.
- **Acquisitions:** In fiscal year 2014, Wiley acquired Elan Guides, an early-stage CFA test preparation company (terms undisclosed), and Profiles International, a provider of employment assessment and talent management solutions (for $51 million). On May 1, 2014, Wiley acquired CrossKnowledge, a learning solutions provider focused on leadership and managerial skills development, for $175 million.

EDUCATION

- **Revenue:** Fourth quarter revenue rose 10% on a constant currency basis to $67.2 million. Revenue growth from online program management (+19%), digital books (+40%), and WileyPLUS (+18%) offset a decline in print textbooks (-5%). In fiscal year 2014, Education revenue increased 12% on a constant currency basis to $367.0 million, due primarily to the mid-year acquisition of Deltak in fiscal year 2013. For the year, strong growth in WileyPLUS, digital books, and binder and custom products mostly offset a decline in print textbooks.
- **Adjusted Contribution to Profit:** Fourth quarter adjusted contribution to profit (after allocated shared service and administrative costs) declined slightly to a seasonal loss of $8.6 million, reflecting higher accrued incentive costs. Adjusted contribution to profit (after shared services and administrative costs) increased 2% to $50.8 million, excluding the impact of foreign exchange. Revenue growth and restructuring savings were offset by higher accrued incentive costs and dilution from Deltak.
- **Online Program Management (OPM):** Deltak secured one new university partner in the quarter (George Washington University), bringing the total number of institutions under contract to 37. As of April 30, 2014, Deltak had 122 programs generating revenue and 52 programs under contract and in development but not yet generating revenue. As of April 30, 2013, Deltak had 31 university partners, 100 revenue-producing programs, and 46 programs in development.

(Include the attached tables for more information, including Quarter and Year-to-Date Segment Revenue Statistics by Product/Service and Subject Category)

Earnings Conference Call

- Scheduled for today, June 17, at 10:00 a.m. (EDT)
- Access the webcast at [www.wiley.com> Investor Relations> Events and Presentations](http://www.wiley.com/WileyCDA/Section/id-370238.html)
- U.S. callers, please dial (888) 481-2877 and enter the participant code 8811232#
- International callers, please dial (719) 325-2323 and enter the participant code 8811232#
- An archive of the webcast will be available for a period of up to 14 days

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

This release contains certain forward-looking statements concerning the Company's operations, performance, and financial condition. Reliance should not be placed on forward-looking statements, as actual results may differ materially from those in any forward-looking statements. Any such forward-looking statements are based upon a number of assumptions and estimates that are inherently subject to uncertainties and contingencies, many of which are beyond the control of the Company, and are subject to change based on many important factors. Such factors include, but are not limited to (i) the level of investment in new technologies and products; (ii) subscriber renewal rates for the Company's journals; (iii) the financial stability and liquidity of journal subscription agents; (iv) the consolidation of book wholesalers and retail accounts;...
(v) the market position and financial stability of key online retailers; (vi) the seasonal nature of the Company's educational business and the impact of the used book market; (vii) worldwide economic and political conditions; (viii) the Company's ability to protect its copyrights and other intellectual property worldwide; (ix) the ability of the Company to successfully integrate acquired operations and realize expected opportunities and (x) other factors detailed from time to time in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any such forward-looking statements to reflect subsequent events or circumstances.

About Wiley

Wiley is a global provider of knowledge and knowledge-enabled services that improve outcomes in areas of research, professional practice, and education. Through the Research segment, the Company provides digital and print scientific, technical, medical, and scholarly journals, reference works, books, database services, and advertising. The Professional Development segment provides digital and print books, online assessment and training services, and test prep and certification. In Education, Wiley provides education solutions including online program management services for higher education institutions and course management tools for instructors and students, as well as print and digital content.

Language:

English