John Wiley & Sons, Inc. Reports Second Quarter 2014 Results

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- Adjusted revenue of $449 million, up 8% over prior year on a constant currency basis
- Adjusted revenue change by segment on a constant currency basis and excluding the divested consumer publishing programs: Research +2%, Professional Development +7%, and Education +30%
- Journal subscription revenue of $164 million, up 2% over prior year and 3% year-to-date on a constant currency basis
- Adjusted EPS of $0.84, up 11% over prior year on a constant currency basis
- Full year financial outlook reaffirmed

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 second quarter of fiscal year 2014, ending October 31, 2013:

<table>
<thead>
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<th>$ millions</th>
<th>FY14</th>
<th>FY13</th>
<th>% change</th>
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<tbody>
<tr>
<td><strong>ADJUSTED</strong></td>
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<tr>
<td>Revenue</td>
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<tr>
<td>Q2</td>
<td>$449</td>
<td>$418</td>
<td>8%</td>
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<td></td>
<td>$860</td>
<td>$816</td>
<td>6%</td>
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<td>Six Months</td>
<td>$816</td>
<td>$816</td>
<td>5%</td>
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<tr>
<td>EPS</td>
<td></td>
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<tr>
<td>Q2</td>
<td>$0.84</td>
<td>$0.75</td>
<td>11%</td>
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<tr>
<td></td>
<td>$1.35</td>
<td>$1.28</td>
<td>6%</td>
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<tr>
<td>Six Months</td>
<td>$1.28</td>
<td>$1.28</td>
<td>5%</td>
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<tr>
<td><strong>US GAAP</strong></td>
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<tr>
<td>Revenue</td>
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<td></td>
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</tr>
<tr>
<td>Q2</td>
<td>$449</td>
<td>$432</td>
<td>5%</td>
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<tr>
<td></td>
<td>$860</td>
<td>$842</td>
<td>3%</td>
</tr>
<tr>
<td>Six Months</td>
<td>$842</td>
<td>$842</td>
<td>2%</td>
</tr>
<tr>
<td>EPS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>$0.61</td>
<td>$0.71</td>
<td>-15%</td>
</tr>
</tbody>
</table>

-14%
Six Months | $1.22 | $1.31 | -6% | -7%

Please see the attached financial schedules for more detail

Business Summary

“We are pleased with our performance this quarter, particularly the solid revenue contribution coming from Education and Professional Development solutions, including online program management (Deltak), WileyPLUS, and online training and assessment,” said Steve Smith, President and CEO of Wiley. “In Research, journal subscriptions showed healthy revenue growth, consistent with our expectations, and open access revenue more than doubled vs. the prior year period to $4 million.”

Mr. Smith concluded: “Our momentum through mid-year is fully aligned with our expectations, and we are reiterating our full year guidance for low-single-digit adjusted revenue growth and adjusted EPS of $2.85 to $2.95.”

Second Quarter Highlights

- **Adjusted revenue on a constant currency basis** grew 8% to $449 million, excluding the prior year operating results of the divested consumer publishing programs ($14.1 million of revenue in Q2 FY13). Revenue was up 4% on a US GAAP basis.
- **Organic revenue**, which excludes the prior year operating results of the divested consumer programs and current year results of Deltak and Efficient Learning Systems (ELS), rose 4% for the quarter and 2% for the first six months. Wiley acquired Deltak in October and ELS in November of 2012, respectively.
- **Digital book revenue** across the three segments increased 40% to $31.4 million.
- **Adjusted earnings per share (EPS)** grew 11% to $0.84. Adjusted EPS for the current and prior year second quarter excludes: (1) second quarter 2014 restructuring charges of $15.3 million ($0.17/share); (2) second quarter 2014 and 2013 asset impairment charges of $4.8 million ($0.06/share - related to a terminated software development program) and $15.5 million ($0.16/share - related to divested consumer publishing programs), respectively; (3) the prior year operating results of the divested consumer publishing program of $1.5 million ($0.02/share); and (4) a second quarter FY13 gain on the sale of the travel publishing program of $9.8 million ($0.10/share). Adjusted revenue growth, restructuring and other savings, and lower taxes offset higher operating and administrative costs, including a 25% increase in technology expense to support transformation initiatives, and higher incentive compensation accruals. Full year technology spend is expected to be approximately 10% higher than in fiscal year 2013. US GAAP EPS for the quarter was $0.61 per share, down 14%.
- **Free Cash Flow** improved to a use of $112 million for the first six months of the fiscal year compared to a use of $143 million in the prior year period mainly due to lower disputed income tax deposits paid to the German government. A tax deposit of $29.7 million for disputed taxes in Germany through fiscal year 2007 was paid in the fiscal year 2013 six month period, whereas $10.4 million for disputed taxes in Germany for 2011 was paid in the current period. Through October 31, 2013, the Company has paid tax deposits covering all years through fiscal year 2011. Note that free cash flow is typically negative for Wiley in the first half of a fiscal year due to the timing of journal subscription cash collections.
- **Restructuring Update:** Wiley recorded restructuring charges of $15.3 million this quarter related to its previously announced restructuring program. These charges included $10 million of accrued redundancy costs, $3 million of process reengineering consulting costs, and $2 million of other costs including contract termination costs. Including this charge, Wiley has recorded $47.5 million in restructuring charges since the program began in January 2013. Wiley expects to record additional restructuring charges for the remainder of the fiscal year of approximately $10 million. As of October 31, 2013, Wiley had developed and approved plans to achieve $70 million of its $80 million FY15 run-rate savings goal, with more than half of the $80 million expected to improve earnings in FY15 and the remainder reinvested into the business.
- **Impairment Charge:** Wiley terminated a multi-year software development program for an internal operations application due to a change in its longer-term enterprise systems plans. The Company recorded a $4.8 million impairment related to the termination of this program.
- **Share Repurchases:** Wiley repurchased 85,098 shares this quarter at a cost of $3.9 million, or $46.31/share. As of October 31, 2013, 4,074,454 shares remain in the program, including shares from a nearly completed program authorized in September 2010.

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 the deferred tax benefits from the changes in UK income tax rates. 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.

Foreign Exchange ("FX")

Throughout this report, references are made to variances “excluding foreign exchange” or “on a constant currency basis”; such amounts exclude both currency translation effects and transactional gains and losses.

**RESEARCH**

- **Revenue:** Second quarter revenue on a constant currency basis rose 2% to $252.9 million due to journal subscription...
growth (+2%), digital book sales (+45%) and open access fees, which contributed $2.1 million of incremental revenue over the prior year period. Partially offsetting this growth was a 10% decline in print book revenue. For the first six months, revenue on a constant currency basis grew 4%, with journal subscription revenue up 3%.

- **Adjusted Contribution to Profit:** Second quarter adjusted contribution to profit (after allocated shared services and administrative costs) grew 1% on a constant currency basis to $73.7 million due to revenue growth and restructuring and other savings, partially offset by higher society royalty costs. Adjusted contribution to profit for the second quarter of fiscal year 2014 excludes second quarter restructuring charges of $3.4 million, related to the aforementioned restructuring program. For the first six months, adjusted contribution to profit (after shared services and administrative costs) grew 6% to $141.8 million, excluding the impact of foreign exchange.

- **Society Business:** Two new society journals were signed in the quarter with combined annual revenue of $7.8 million; 13 were renewed worth approximately $10.5 million in annual revenue; and none were lost.

- **Other Key Developments:** In August, Wiley announced a licensing agreement with Information Handling Services (NYSE: IHS), a global informatics company. Under the agreement, IHS added Wiley digital books, databases and major reference works to IHS’s collection of technical documents spanning engineering standards and related industry and technical knowledge.

### PROFESSIONAL DEVELOPMENT

- **Adjusted Revenue:** Second quarter adjusted revenue grew 7% to $92.5 million, excluding FX and revenue from the divested consumer publishing programs in the prior year period. Adjusted revenue growth was driven by digital books (+30%) and online training and assessment (+44%). For the first six months, adjusted revenue on a constant currency basis was essentially flat. Excluding the results of the ELS online training and assessment acquisition in the current year, and the prior year divested consumer publishing programs, year-to-date revenue declined 2% as compared to the prior year period. The effect of Hurricane Sandy delayed approximately $2 million of print sales into the third quarter of the prior year.

- **Adjusted Contribution to Profit:** Second quarter adjusted contribution to profit (after allocated shared service and administrative costs) grew from $3.3 million to $9.2 million due to revenue growth and restructuring and other savings. Adjusted contribution to profit excludes restructuring charges of $2.1 million in the current period; the opex from the divested consumer publishing program. For the first six months, adjusted contribution to profit (after shared services and administrative costs) grew $5.1 million reflecting an impairment of divested consumer assets, net of a gain on sale. For the first six months, adjusted contribution to profit (after shared services and administrative costs) grew $5.1 million to $10.9 million, excluding the impact of foreign exchange.

- **Online training and assessment** showed strong growth, driven by Inscape (+22%) and continued strength in CPA, CMA, and CFA test prep businesses.

### EDUCATION

- **Revenue:** Second quarter revenue on a constant currency basis grew 30% to $103.7 million, driven by the contribution from Deltak (+$16.5 million) and growth in digital books (+55%), binder and custom products (+40%), and the WileyPLUS course management solution (+26%). For the first six months, Education revenue overall increased 22% (to $184.8 million) on a constant currency basis primarily due to the contribution of Deltak (+$31.3 million). Contributing to second quarter growth was the favorable impact of later ordering in the current year due to late semester starts in the US and the shift to digital formats, which pushed revenue into the second quarter. Second quarter and year-to-date revenue comparisons include the favorable impact of $2 million of sales delayed into the third quarter of the prior year due to Hurricane Sandy, in addition to earlier-than-usual orders in the Australia schools business in the current year.

- **Adjusted Contribution to Profit:** Second quarter adjusted contribution to profit (after allocated shared service and administrative costs) grew 43% to $22.8 million, reflecting revenue growth, gross margin improvement related to the continued migration to digital products and services, and restructuring and other savings. For the first six months, adjusted contribution to profit (after allocated shared service and administrative costs) increased 17% to $28.9 million, excluding the impact of foreign exchange.

- **Online Program Management (OPM):** Deltak contributed $16.5 million of revenue in the quarter. The Company signed the McCombs School of Business Foundation at University of Texas at Austin during the quarter, bringing the total number of institutions under contract to 34. As of October 31, 2013, Deltak had 107 programs generating revenue and 43 programs under contract and in development but not yet generating revenue. The effect of Hurricane Sandy delayed approximately $2 million of print sales into the third quarter of the prior year period. Adjusted revenue growth was driven by digital books (+30%) and online training and assessment (+44%). For the first six months, adjusted revenue on a constant currency basis was essentially flat. Excluding the results of the ELS online training and assessment acquisition in the current year, and the prior year divested consumer publishing programs in the prior year period. Adjusted revenue growth was driven by digital books (+30%) and online training and assessment (+44%).

- **International Deltak OPM Opportunity:** Deltak and Purdue University have partnered in the launch of Purdue NEXUS, online course offerings available globally that focus on upper-level engineering, science, and technology disciplines. The courses are marketed to three distinct markets: individuals looking to enhancing their skills and job prospects; institutions looking to augment their scientific and engineering curriculum content; and businesses looking to raise employee skill levels in key engineering disciplines.

(Please see 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, December 10, at 10:00 a.m. (EST)
- 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) 329-8877 and enter the participant code 1353328#
- International callers, please dial (719) 457-2689 and enter the participant code 1353328#
- 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.

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