Wiley Reports Second Quarter Fiscal Year 2015 Results

Release Date:
Tuesday, December 9, 2014 1:09 pm EST

Terms:
- All Corporate News
- Earnings Releases

Dateline City:
HOBOKEN, N.J.

- Revenue of $477 million, up 6% over prior year on a constant currency basis
- Journal subscription revenue of $168 million, up 2% on a constant currency basis
- Adjusted EPS of $0.90, up 8% 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 2015:

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<th>$ millions</th>
<th>FY15</th>
<th>FY14</th>
<th>Change Excluding FX Including FX</th>
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<tbody>
<tr>
<td>ADJUSTED</td>
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<tr>
<td>Revenue</td>
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<tr>
<td>Q2</td>
<td>$477</td>
<td>$449</td>
<td>6%</td>
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<tr>
<td>6 Months</td>
<td>$915</td>
<td>$860</td>
<td>5%</td>
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<td>EPS</td>
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<tr>
<td>Q2</td>
<td>$0.90</td>
<td>$0.84</td>
<td>8%</td>
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<tr>
<td>6 Months</td>
<td>$1.46</td>
<td>$1.35</td>
<td>8%</td>
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<td>US GAAP</td>
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<tr>
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<tr>
<td>Q2</td>
<td>$0.90</td>
<td>$0.61</td>
<td>49%</td>
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<tr>
<td>6 Months</td>
<td>$1.46</td>
<td>$1.22</td>
<td>20%</td>
</tr>
</tbody>
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Please see the attached financial schedules for more detail

Management Commentary

“Our second quarter revenue growth reflects sustained momentum in Research journals and the expansion of our digital solutions portfolio across Professional Development and Education,” said Steve Smith, President and CEO. “We delivered another quarter of solid earnings growth, resulting from the combination of continued revenue growth and efficiency gains from restructuring.”

Fiscal Year 2015 Outlook

Wiley is reaffirming its fiscal year 2015 outlook of mid-single-digit revenue growth and EPS in a range of $3.25 to $3.35.
Second Quarter and First Half Summary

- **Second quarter revenue grew 6%** on both a reported and constant currency basis to $477 million due to growth in Research (+5%) and Education (+3%), accompanied by contributions from CrossKnowledge and Profiles International, which were acquired at the end of the prior fiscal year. First half revenue grew 5% on a constant currency basis to $915 million.

- **Adjusted earnings per share (EPS) grew 8% on a constant currency basis** to $0.90. Adjusted EPS excludes certain one-time or unusual items in the prior year as further described in the attached reconciliation of US GAAP to Adjusted EPS. Adjusted EPS growth was due to revenue growth in Research, including approximately $10 million for the sale of a backfile license, and company-wide cost savings resulting from restructurings partially offset by the dilutive impacts of investments in Talent Solutions and Education Services. Adjusted EPS for the first six months rose 8% to $1.46.

- **Adjusted shared services costs decreased 1% on a constant currency basis to $123 million**, with Distribution and Operation Services (-12%) and Technology and Content Management (-1%) offsetting higher Other Administration costs (+10%) related to the acquisition of CrossKnowledge. Adjusted shared services and administrative costs, excluding the impact of currency, were down 1% in the first half of the year.

- **Free Cash Flow** was a use of $141 million for the first half of the year as compared to a use of $112 million in the prior year period, mainly due to higher fiscal year 2014 annual incentive compensation payments, which were paid in the first quarter of fiscal year 2015, and restructuring payments related to reorganization. Note that free cash flow is seasonally negative in the first half of Wiley’s fiscal year principally due to the timing of annual journal subscription cash collections.

- **Share Repurchases:** Wiley repurchased 532,010 shares in the quarter at a cost of $29.4 million, or $55.19 per share. For the first six months, Wiley repurchased 732,502 shares at a cost of $41.5 million, or $56.70/share.

- **Reorganization:** On November 13, the Company announced plans to reorganize the Research business. The reorganization will provide sharper focus on managing the portfolio of journal-related products and services. The books-related portion of Research will be managed toward increasing operating synergies with the Professional Development books business.

Third Quarter Restructuring Charge

The Company expects to record a restructuring charge of approximately $18 million in the third quarter. Roughly half of the expected charge is related to the completion of facility consolidations and dispositions in connection with prior restructuring actions. The restructuring charge will also include severance costs for reorganization and consolidation plans, primarily in Research and books, consistent with the November reorganization announcement.

Revised Allocations of Shared Services and Administrative Costs

In the first quarter of fiscal year 2015, the Company consolidated certain decentralized business functions (Content Management, Vendor Procurement Services, Marketing Services, etc.) into global shared service functions. These newly centralized service groups enable significant cost reduction opportunities, including efficiencies gained from standardized technology and centralized management. The costs of these functions were previously reported as direct operating expenses in each business segment but are now reported within the shared service functions. Prior year amounts have been revised to reflect the same reporting methodology.

Adjusted Results

The Company provides financial measures referred to as “adjusted” revenue, contribution to profit, and EPS, which exclude restructuring and impairment charges and deferred tax benefits related to a UK corporate income tax rate reduction. Variances to adjusted revenue, contribution to profit, and EPS are on a constant currency basis 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 of $264.8 million grew 5% on a constant currency basis. Steady growth continued in Journal Subscription revenue (+2%) and Funded Access (+30%). Growth in Other Journal Revenue (+55%) included approximately $10 million for the sale of a backfile license. Books/References and Other Research revenue fell 9% and 13%, respectively. For the first six
months, Research revenue increased 2% on a constant currency basis, to $519.7 million.

- **Calendar Year 2014 Journal Subscriptions:** Through November 30, calendar year 2014 journal subscriptions increased 1.8% on a constant currency basis with nearly all expected business closed.

- **Adjusted Contribution to Profit:** Second quarter adjusted contribution to profit after allocated shared service and administrative costs of $78.8 million increased 9% on a constant currency basis, the result of revenue growth and cost savings. For the first six months, adjusted contribution to profit grew 5% to $148.4 million.

- **Society Business:** Three new society journals were signed in the quarter with combined annual revenue of $0.9 million; three were renewed worth $0.8 million annually; and two were not renewed, worth $0.4 million.

- **Swets Bankruptcy:** Swets Information Services, a global library subscription agent based in Amsterdam, declared bankruptcy in late September. Impact to CY15 journal subscription revenue is expected to be on the order of $5 million. Wiley continues to investigate the matter and will provide an update when it releases third quarter earnings.

**PROFESSIONAL DEVELOPMENT**

- **Revenue:** Second quarter revenue grew 14% on a constant currency basis to $105.7 million due to contribution from recent acquisitions, with full quarter revenue from both CrossKnowledge (+$11.3 million) and Profiles International (+$5.9 million). Excluding the contributions from both acquisitions, revenue was down 4% from prior year as declines in Book sales (-9%) exceeded growth in Online Test Preparation and Certification (+30%) and other Assessment revenue (+9%). Revenue for the first six months increased 12% on a constant currency basis to $198 million, reflecting four months of operating results from CrossKnowledge. As previously noted, financial results for the recently acquired CrossKnowledge are reported on a two-month delay pending implementation of reporting process improvements.

- **Adjusted Contribution to Profit:** Second quarter adjusted contribution to profit after allocated shared service and administrative costs rose 2% to $9.7 million primarily due to restructuring savings offset by investment in Talent Solutions, which was dilutive to earnings, as expected. Adjusted contribution to profit for the first six months increased 48% on a constant currency basis.

- **Online Learning and Training:** CrossKnowledge recently launched new learning modules featuring the latest in interactive content and mobile integration adapted for touch-screen technology. This new collection was designed with CrossKnowledge's authoring and publishing system, Mohive, which allows for quick customization and natively integrates web accessibility.

**EDUCATION**

- **Revenue:** Second quarter revenue on a constant currency basis grew 3% to $106.5 million, with double digit growth in Custom Products (+11%), Course Workflow Solutions (16%), and Education Services (+19%) offsetting a 7% decline in Books. Revenue for the first six months grew 7% on a constant currency basis.

- **Adjusted Contribution to Profit:** Second quarter adjusted contribution to profit after shared service and administrative costs fell 11% to $19.5 million, reflecting investment in Deltak. Adjusted contribution to profit for the first six months grew 2% on a constant currency basis.

- **Education Services (Deltak):** In the quarter, Education Services added the University of Birmingham as its first European online program partner. The university is the UK’s 11th largest with over 19,000 undergraduate and 9,000 postgraduate students. At quarter-end, Education Services had 37 partners and 181 programs (156 revenue-generating and 25 in development).

**Earnings Conference Call**

- Scheduled for today, December 9, at 10:00 a.m. (EDT)
- Access the webcast at www.wiley.com> Investor Relations> Events and Presentations, or http://www.wiley.com/WileyCDA/Section/id-370238.html
- U.S. callers, please dial (888) 505-4369 and enter the participant code 8589771#
- International callers, please dial (719) 325-2435 and enter the participant code 8589771#
- 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.

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