Wiley Reports Third Quarter Fiscal 2014 Results

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- Earnings Releases

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- Adjusted revenue of $458 million, up 1% on a constant currency basis
- Adjusted revenue change by segment on a constant currency basis and excluding the divested consumer publishing programs: Research +3%, Professional Development -5%, and Education even
- Journal subscription revenue of $154 million, up 7% over prior year and 4% year-to-date on a constant currency basis
- Adjusted EPS of $0.93, even with 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 third quarter of fiscal year 2014, ending January 31, 2014:

<table>
<thead>
<tr>
<th>Change</th>
<th>$ millions</th>
<th>FY14</th>
<th>FY13</th>
<th>Excluding FX</th>
<th>Including FX</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADJUSTED Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>$458</td>
<td>$459</td>
<td>1%</td>
<td>0%</td>
<td></td>
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<tr>
<td>Nine Months</td>
<td>$1,318</td>
<td>$1,275</td>
<td>4%</td>
<td>3%</td>
<td></td>
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<tr>
<td>EPS</td>
<td></td>
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<tr>
<td>Q3</td>
<td>$0.93</td>
<td>$0.93</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Nine Months</td>
<td>$2.28</td>
<td>$2.20</td>
<td>4%</td>
<td>4%</td>
<td></td>
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<tr>
<td>US GAAP Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>$458</td>
<td>$472</td>
<td>-2%</td>
<td>-3%</td>
<td></td>
</tr>
<tr>
<td>Nine Months</td>
<td>$1,318</td>
<td>$1,315</td>
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<tr>
<td>EPS</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>$0.88</td>
<td>$0.95</td>
<td>-7%</td>
<td>-7%</td>
<td></td>
</tr>
<tr>
<td>Nine Months</td>
<td>$2.10</td>
<td>$2.26</td>
<td>-7%</td>
<td>-7%</td>
<td></td>
</tr>
</tbody>
</table>

Please see the attached financial schedules for more detail

Business Summary

"Through three quarters, research journal performance has been favorable, with 4% revenue growth in journal subscriptions, strong revenue growth in author-funded open access, and a solid start to subscription billings for volume year 2014," said Steve Smith, President and CEO of Wiley. "In addition, professional and education solutions, including talent management, WileyPLUS, and online program management, continue to show strong double-digit revenue growth."

With one quarter remaining in the fiscal year, the company reaffirmed its full-year guidance for low single-digit adjusted revenue growth and adjusted EPS of $2.85 to $2.95.

Third Quarter Highlights
• **Adjusted revenue on a constant currency basis rose 1%** over prior year to $458 million, excluding the prior year operating results of the divested consumer publishing programs ($13.9 million of revenue in Q3 FY13). Revenue in the year-ago period included a $4 million favorable impact from shipments delayed into that quarter due to distribution disruptions caused by Hurricane Sandy. Revenue fell 3% on a US GAAP basis.

• **Adjusted earnings per share (EPS) was even at $0.93.** Adjusted EPS for the current quarter excludes restructuring charges of $4.3 million ($0.05/share), and the prior year period excludes the operating results of the divested consumer publishing program of $2.0 million ($0.02/share). Adjusted revenue and margin growth, restructuring and other savings, and lower income taxes were offset by higher incentive compensation accruals, a 4% increase in technology expense, and a lower property tax incentive. US GAAP EPS for the quarter was $0.88 per share compared to $0.95 per share in the prior period.

• **Free Cash Flow** of $84.6 million for the first nine months was roughly even with the prior year period. Lower disputed income tax deposits paid to the German government were offset by lower cash collections in the quarter and higher payments related to the restructuring program as compared to the year-ago period.

• **Restructuring update:** Wiley recorded restructuring charges of $4.3 million this quarter related to its previously announced restructuring program. Including this charge, Wiley has recorded $51.8 million in restructuring charges since the program was announced in January 2013. The Company expects to record additional restructuring charges in the fourth quarter of approximately $10 million. As of January 31, 2014, Wiley had developed and approved plans to achieve $75 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.

• **Share repurchases:** In the quarter, Wiley repurchased 375K shares for $20.0 million, an average price of $53.30 per share. Fiscal year-to-date, the Company has repurchased 810K shares for $38.5 million, an average price of $47.53. As of January 31, Wiley had nearly 3.7 million shares remaining in the program.

### 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 period-over-period currency translation effects and transactional gains and losses.

### Research

• **Revenue:** Third quarter revenue on a constant currency basis rose 3% to $248.8 million, driven by journal subscription revenue growth of 7%, which included favorable impacts from production timing. Also contributing were digital book sales (+12%) and open access (+$3 million). Partially offsetting this growth was a 16% decline in print book revenue. For the first nine months, revenue on a constant currency basis was up 3%, with journal subscription revenue up 4%.

• **Adjusted Contribution to Profit:** Third quarter adjusted contribution to profit (after allocated shared services and administrative costs) grew 2% on a constant currency basis to $69.0 million, with higher society royalty costs and accrued incentive compensation partially offsetting revenue growth. For the first nine months, adjusted contribution to profit (after shared services and administrative costs) grew 5% to $210.8 million, excluding the impact of foreign exchange.

• **Calendar Year 2014 Journal Subscriptions:** At the end of January, calendar year 2014 journal subscriptions were up 4% with 81% of targeted business closed for the 2014 volume year.

• **Society Business:** Two new society journals were signed in the quarter with combined annual revenue of $1.7 million; 50 were renewed worth approximately $19 million annually; and eight journals with combined annual revenue of $5.3 million were not renewed, primarily due to the conclusion of one society relationship.

• **Other Key Developments:** In January, Wiley announced a partnership with technology company Knode to provide customized portals to learned societies and other academic organizations worldwide. Wiley's cloud-based portal is populated with more than 20 million documents and millions of expert profiles. Researchers are using Knode to find experts, identify and connect with...
collaborators, and promote their expertise to the world. For society executives and institutional research managers, custom analytics provide aggregated views of research expertise and output.

**PROFESSIONAL DEVELOPMENT**

- **Adjusted Revenue:** Third quarter adjusted revenue declined 5% to $94.2 million, excluding FX and revenue from the divested consumer publishing programs ($13.9 million) in the prior year period. Adjusted revenue performance was driven by a decline in print books (-9%), particularly due to lower demand for technology titles and the discontinuation of certain low-margin non-divested consumer titles, which offset solid growth in online training and assessment (+20%) and digital books (+9%). Revenue in the year-ago period included a $2 million favorable impact from shipments delayed into that quarter due to distribution disruptions caused by Hurricane Sandy. For the first nine months, adjusted revenue on a constant currency basis was down 1%.

- **Adjusted Contribution to Profit:** Third quarter adjusted contribution to profit (after allocated shared service and administrative costs) grew 21% to $11.9 million due to restructuring savings and higher margin digital revenue, which offset the revenue decline in print books. Adjusted contribution to profit excludes restructuring charges and the operating results from the divested consumer assets in the prior year. For the first nine months, adjusted contribution to profit (after shared services and administrative costs) grew 48% to $22.8 million, excluding the impact of foreign exchange.

- **Acquisitions:** In January, Wiley acquired the assets of **Elan Guides**, an early-stage CFA test preparation company. Elan's CFA test preparation materials will be incorporated into Wiley's test preparation platform for business and finance professionals. Terms were not disclosed.

**EDUCATION**

- **Revenue:** Third quarter revenue was $114.9 million, essentially even on a constant currency basis. Revenue growth from WileyPLUS (+20%), Deltak (+12%), and Binder and Custom Products (+3%) offset a decline in both print textbooks (-8%) and digital books (-8%). Note that Deltak's third quarter 2013 reported results included an extra week carried forward from the acquisition closing date, which occurred just prior to the end of the second quarter 2013. Excluding the impact of that carry-over period, Deltak revenue increased by approximately 20% as compared to the year-ago quarter. Education revenue in the year-ago period also included a $2 million favorable impact from shipments delayed into that quarter due to disruptions caused by Hurricane Sandy, and earlier ordering from Australian schools that benefitted the second quarter of 2014. Digital textbook growth for the period was unfavorably impacted by weakened enrollment at for-profit institutions. For the first nine months, Education revenue overall increased 12% on a constant currency basis to $299.7 million, primarily due to the first half contribution from Deltak ($31 million).

- **Adjusted Contribution to Profit:** Third quarter adjusted contribution to profit (after allocated shared service and administrative costs) declined 9% to $30.5 million, reflecting changes in revenue mix and higher accrued incentive costs. For the first nine months, adjusted contribution to profit (after shared services and administrative costs) increased 2% to $59.4 million, excluding the impact of foreign exchange.

- **Online Program Management (OPM):** Deltak secured two university partners in the quarter, bringing the total number of institutions under contract to 36. As of January 31, 2014, Deltak had 120 programs generating revenue and 45 programs under contract and in development but not yet generating revenue.

*(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, March 11, 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) 337-8198 and enter the participant code 9980621#
- International callers, please dial (719) 325-2464 and enter the participant code 9980621#
- 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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English