John Wiley & Sons (JW.A)

Updated September 7th, 2018 by Jonathan Weber

Key Metrics

Current Price:	$56	**5 Year CAGR Estimate:**	7.7%	**Volatility Percentile:**	51.7%
Fair Value Price:	$56	**5 Year Growth Estimate:**	5.3%	**Momentum Percentile:**	39.4%
% Fair Value:	100%	**5 Year Valuation Multiple Estimate:**	0.0%	**Valuation Percentile:**	63.0%
Dividend Yield:	2.4%	**5 Year Price Target**	$72	**Total Return Percentile:**	48.4%

Overview & Current Events

John Wiley & Sons is a publishing and research company whose operations are split into three segments: Research, Publishing, and Solutions. The company offers scientific, technical, medical and scholarly research journals, reference books, databases, clinical decision support tools, laboratory manuals, scientific and education books, and test preparation services. Its services also include learning, development and assessment services for businesses and professionals and online program management services for higher education institutions. John Wiley & Sons was founded in 1807, is headquartered in Hoboken, NJ, and is currently valued at $3.2 billion.

John Wiley & Sons reported its most recent quarterly results (fiscal Q1 2019) on September 6. The company reported earnings per share of $0.43, a decline of 29% year over year. Revenues were stable at $411 million, the earnings decline was based on higher growth investments which increased John Wiley & Sons' expenses. The market reacted negatively to the results. Shares fell 11%, to a multi-month low of $56, on the day of the earnings report.

Growth on a Per-Share Basis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
EPS	$2.58	$2.80	$3.21	$2.92	$3.05	$3.26	$2.70	$3.00	$3.05	$3.43	$3.29	***$4.26***
DPS	$0.56	$0.64	$0.80	$0.96	$1.00	$1.16	$1.20	$1.24	$1.28	$1.30	$1.32	***$1.66***
Shares	60M	61M	60M	59M	59M	59M	58M	57M	57M	57M	56M	***54M***

John Wiley & Sons has a solid earnings per share growth track record: Its profits increased during the last financial crisis, and over the last three years the company was able to grow its earnings per share by 8.3% annually.

John Wiley & Sons' focus on publishing research journals, scientific books, etc. has made the company less vulnerable to other forms of entertainment. Since 2012 total unit sales of books have been declining in the US, but as John Wiley & Sons' books and journals are not read for entertainment, but rather due to being required reading for students, professionals, and scientists, the company has been relatively immune to this trend. The company has also successfully transformed itself into a digital company; 73% of all revenues were generated from digital products during the last year.

John Wiley & Sons' most profitable business segment is its Research division, which produces slightly more than 50% of all revenues. The segment has performed well in recent quarters, thanks to high-single digits growth from journal subscriptions and a low-double digits growth rate from licensing & reprints. The subscription model results in recurring, non-cyclical revenues, which is why John Wiley & Sons' results are less seasonal than those of many of its peers. Publishing and Solutions revenues are growing more slowly, which is why total company-wide sales should grow at a mid-single digits pace going forward. John Wiley & Sons has been trying to grow its margins, and with investments into digitalization likely slowing down in the future that should be possible. Fiscal 2019 will be another year of heavy investments, though, which will lead to a small decline in John Wiley & Sons' earnings per share.

Valuation Analysis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Now	2024
Avg. P/E	14.4	15.5	14.8	14.7	16.1	18.1	18.5	17.9	19.1	18.4	***17.0***	***17.0***
Avg. Yld.	1.5%	1.5%	1.7%	2.2%	2.0%	2.0%	2.4%	2.3%	2.2%	2.0%	***2.4%***	***2.2%***

John Wiley & Sons is valued relatively in line with how shares of the company were valued in the past. Total returns therefore should not be materially impacted by valuation changes over the coming years. The company offers a 2.4% dividend yield, which is more than what investors can get from a broad market index fund.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
GP/A	49.2%	50.5%	49.5%	48.9%	43.8%	41.2%	44.0%	43.2%	48.3%	48.5%	***49.0%***	***50.0%***
Debt/A	76.9%	68.7%	69.8%	59.8%	64.8%	61.6%	64.9%	64.5%	61.5%	57.8%	***58.0%***	***58.0%***
Int. Cov.	5.0	7.4	16.7	46.4	19.1	18.8	17.3	13.9	13.5	13.8	***13.5***	***13.0***
Payout	21.7%	22.9%	24.9%	32.9%	32.8%	35.6%	44.4%	41.3%	42.0%	37.9%	***40.1%***	***39.0%***
Std. Dev.	29.7%	20.4%	20.3%	17.6%	16.2%	17.6%	18.2%	24.9%	17.0%	18.1%	***18.0%***	***19.0%***

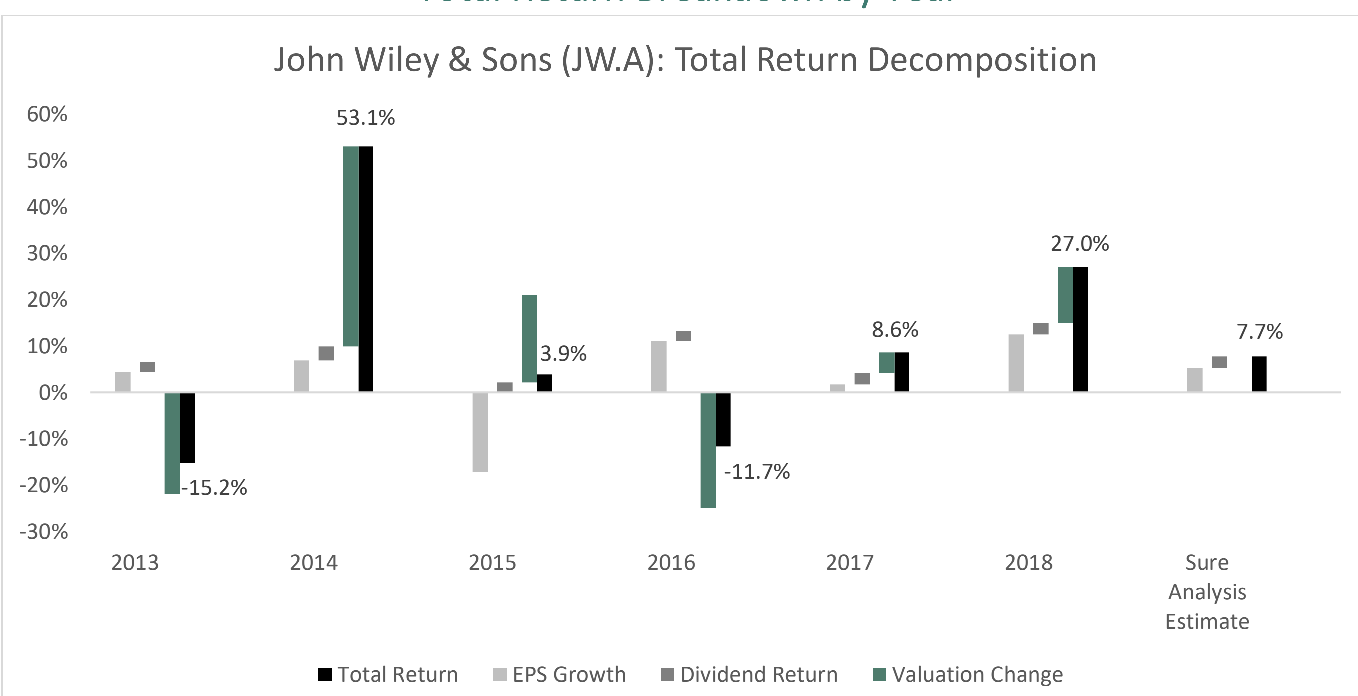
John Wiley & Sons has been able to grow its gross profits to assets ratio slightly over the last decade, which shows that the company is well positioned for changes in its industry – peers such as Scholastic had to suffer declines in the gross profits to assets ratio as they are more vulnerable to changes in the publishing industry. John Wiley & Sons has also lowered its liabilities relative to its assets over the last years, which has resulted in a growing interest coverage ratio. The company's balance sheet looks healthy, and rising interest rates will not be a major headwind for John Wiley & Sons.

With its transformation towards digital products being mostly completed, and due to John Wiley & Sons' strong position in the scientific and professional markets, there is little risk to John Wiley & Sons' business model. Since a substantial portion of its revenues are generated via journal subscriptions (recurring revenues), and since demand from the scientific community is not cyclical, John Wiley & Sons performed quite well during the last financial crisis.

Final Thoughts & Recommendation

John Wiley & Sons has a relatively strong business model. It is a leader in its target markets. Due to the low cyclicality of demand from the professional and scientific community, risks for John Wiley & Sons' business model are not overly large. Investments into digitalization will pressure profits during the current fiscal year, but in the long run those investments should pay off. John Wiley & Sons looks like a hold at the current level, as shares are near fair value today.

Total Return Breakdown by Year



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Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.