



John Wiley & Sons (JW.A)

Updated March 13th, 2020 by Jonathan Weber

Key Metrics

Current Price:	\$34	5 Year CAGR Estimate:	11.7%	Market Cap:	\$1.9B
Fair Value Price:	\$43	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	03/31/20 ¹
% Fair Value:	80%	5 Year Valuation Multiple Estimate:	4.6%	Dividend Payment Date:	04/16/20 ²
Dividend Yield:	4.0%	5 Year Price Target	\$52	Years Of Dividend Growth:	21
Dividend Risk Score:	C	Retirement Suitability Score:	C	Last Dividend Increase:	3.0%

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.

John Wiley & Sons reported its third quarter (fiscal 2020) earnings results on March 4. The company announced that its revenues totaled \$467 million during the quarter, which represents an increase of 4.0% versus the prior year's quarter. John Wiley & Sons beat the analyst consensus estimate slightly, by \$2 million. John Wiley & Sons' profitability improved substantially versus the prior year, as operating profits rose by 10%.

Earnings-per-share came in ahead of the analyst consensus, at \$0.68, which represents an increase of 10% year-over-year on an adjusted basis. John Wiley & Sons guides for revenues of \$1.86 billion to \$1.89 billion for fiscal 2020, and the company raised its earnings-per-share guidance to \$2.45 to \$2.55 for 2020, up \$0.10 from the previous guidance announcement, although this would still represent a decline from 2019's level.

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
EPS	\$2.80	\$3.21	\$2.92	\$3.05	\$3.26	\$2.70	\$3.00	\$3.05	\$3.43	\$2.96	\$2.50	\$3.04
DPS	\$0.64	\$0.80	\$0.96	\$1.00	\$1.16	\$1.20	\$1.24	\$1.28	\$1.30	\$1.32	\$1.36	\$1.58
Shares³	61	60	59	59	59	58	57	57	57	57	56	54

John Wiley & Sons has a solid earnings-per-share growth track record. Its profits increased during the last financial crisis, and between 2015 and 2018, John Wiley & Sons' earnings-per-share rose substantially. Fiscal 2019 was a down year for the company, though, and 2020 will most likely be an even weaker year.

John Wiley & Sons' focus on publishing research journals, scientific books, and the like 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 successfully transformed itself, as ~75% of all revenues were generated from digital products during the last year. John Wiley's research segment has performed well in recent quarters thanks to growth from journal subscriptions and ongoing expansion in 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. We believe that John Wiley is in a position to grow its earnings in the long run, although 2020's profits will be hurt by higher investment spending.

¹ Estimated date

² Estimated date

³ In Millions

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.



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Valuation Analysis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
Avg. P/E	15.5	14.8	14.7	16.1	18.1	18.5	17.9	19.1	18.4	15.9	13.6	17.0
Avg. Yld.	1.5%	1.7%	2.2%	2.0%	2.0%	2.4%	2.3%	2.2%	2.0%	2.8%	4.0%	3.0%

John Wiley & Sons' shares have declined a lot since our last update, and management raised its guidance in the meantime, which is why its valuation has declined substantially. We believe that shares are undervalued at current prices, and on top of that investors get a rather high dividend, yielding 4%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	22.9%	24.9%	32.9%	32.8%	35.6%	44.4%	41.3%	42.0%	37.9%	44.6%	54.4%	51.8%

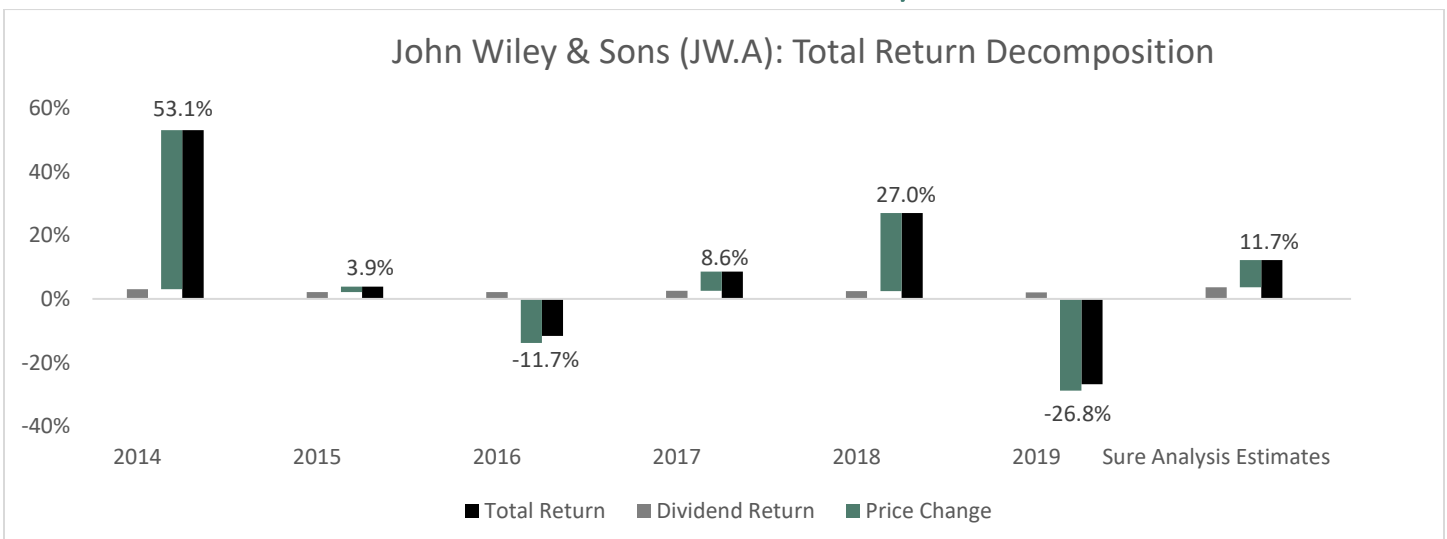
John Wiley & Sons' dividend payout ratio was never especially high, as it barely rose above 40%. John Wiley & Sons has raised its dividend continually throughout the last decade. Even though it will pay out more than 50% of its net profits during the current fiscal year, we rate it as relatively safe.

Based on its successful ongoing transformation of its business model towards digital products, and due to John Wiley & Sons' strong position in the non-cyclical scientific and professional markets, there is little risk to its business model. Since a substantial portion of its revenues are generated via journal subscriptions, which results in recurring revenues, and because demand from the scientific community is not overly cyclical, John Wiley & Sons performed quite well during the last financial crisis. John Wiley & Sons will likely remain relatively insulated versus changes in the publishing industry. Peers that are more focused on entertainment books, such as Scholastic, are impacted to a much more significant degree by changes in consumption behavior, i.e. the shift from books to more screen time.

Final Thoughts & Recommendation

John Wiley & Sons is active in an attractive niche of the publishing industry. Fiscal 2020 will be another down year for the company, but the long-term outlook is not bad, as we believe the company will get back to growing its earnings-per-share more regularly in the future, once its investments are starting to pay off. Shares are trading below fair value, which strengthens the stock's total return outlook. We rate John Wiley & Sons a buy at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	1699	1743	1783	1761	1775	1822	1727	1719	1796	1800
Gross Profit	1165	1204	1239	1229	1268	1323	1261	1218	1265	1245
Gross Margin	68.6%	69.1%	69.5%	69.8%	71.4%	72.6%	73.0%	70.9%	70.4%	69.2%
SG&A Exp.	872	911	922	933	969	1005	994	943	957	964
D&A Exp.	75	81	87	98	103	113	116	116	113	124
Operating Profit	258	248	280	253	254	267	217	225	260	227
Operating Margin	15.2%	14.2%	15.7%	14.4%	14.3%	14.6%	12.5%	13.1%	14.5%	12.6%
Net Profit	144	172	213	144	161	177	146	114	192	168
Net Margin	8.4%	9.9%	11.9%	8.2%	9.0%	9.7%	8.4%	6.6%	10.7%	9.3%
Free Cash Flow	267	321	312	278	291	286	243	181	241	164
Income Tax	57	59	59	43	35	49	29	77	22	45

Balance Sheet Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assets	2309	2430	2533	2806	3077	3004	2921	2606	2839	2937
Cash & Equivalents	154	202	260	334	486	457	364	59	170	93
Accounts Receivable	165	168	172	162	150	147	168	189	212	295
Inventories	108	106	101	82	75	64	58	48	39	36
Goodwill & Int. Ass.	1527	1576	1606	1790	1888	1880	1829	1810	1868	1961
Total Liabilities	1586	1452	1515	1818	1895	1949	1884	1603	1649	1756
Accounts Payable	145	155	151	143	143	161	166	76	90	91
Long-Term Debt	649	454	475	673	700	750	605	365	360	479
Shareholder's Equity	722	978	1018	988	1182	1055	1037	1003	1191	1181
D/E Ratio	0.90	0.46	0.47	0.68	0.59	0.71	0.58	0.36	0.30	0.41

Profitability & Per Share Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Return on Assets	6.3%	7.3%	8.6%	5.4%	5.5%	5.8%	4.9%	4.1%	7.1%	5.8%
Return on Equity	23.2%	20.2%	21.3%	14.4%	14.8%	15.8%	13.9%	11.1%	17.5%	14.2%
ROIC	10.6%	12.3%	14.5%	9.1%	9.1%	9.6%	8.5%	7.6%	13.2%	10.5%
Shares Out.	59.68	61.36	61.27	60.22	59.51	59.59	58.73	58.20	57.89	57.84
Revenue/Share	28.47	28.40	29.10	29.24	29.83	30.58	29.40	29.53	31.03	31.12
FCF/Share	4.47	5.24	5.10	4.62	4.88	4.80	4.14	3.11	4.17	2.84

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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