



John Wiley & Sons (JW.A)

Updated September 16th, 2020 by Jonathan Weber

Key Metrics

Current Price:	\$34	5 Year CAGR Estimate:	12.5%	Market Cap:	\$1.9B
Fair Value Price:	\$43	5 Year Growth Estimate:	4.5%	Ex-Dividend Date:	09/31/20 ¹
% Fair Value:	79%	5 Year Valuation Multiple Estimate:	4.9%	Dividend Payment Date:	10/16/20 ²
Dividend Yield:	4.0%	5 Year Price Target	\$54	Years Of Dividend Growth:	27
Dividend Risk Score:	B	Retirement Suitability Score:	B	Last Dividend Increase:	0.7%

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 first quarter (fiscal 2021) earnings results on September 3. The company announced that its revenues totaled \$430 million during the quarter, which represents an increase of 2% versus the prior year's quarter. John Wiley & Sons beat the analyst consensus estimate easily, by \$16 million.

Earnings-per-share came in ahead of the analyst consensus, at \$0.42, which was up by a whopping 124% year over year, although from a quite low level. Earnings-per-share easily beat the consensus estimate. John Wiley & Sons has not issued any guidance for fiscal 2021, due to uncertainties around the coronavirus pandemic. It has to be expected that profits will drop versus 2020, but due to Q1 results that were better than expected, a decline is not a sure thing. We calculate fair value using an earnings power estimate of \$2.70.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	\$3.21	\$2.92	\$3.05	\$3.26	\$2.70	\$3.00	\$3.05	\$3.43	\$2.96	\$2.40	\$2.10	\$3.36
DPS	\$0.80	\$0.96	\$1.00	\$1.16	\$1.20	\$1.24	\$1.28	\$1.30	\$1.32	\$1.36	\$1.37	\$1.59
Shares³	60	59	59	59	58	57	57	57	57	56	56	54

John Wiley & Sons has a mediocre 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 was even weaker, although that was, at least partially, due to COVID-19.

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 years 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. Since schools and universities have amended their operations due to the current pandemic, textbook sales are hurting in the near term, though.

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	14.8	14.7	16.1	18.1	18.5	17.9	19.1	18.4	15.9	15.0	12.6	16.0
Avg. Yld.	1.7%	2.2%	2.0%	2.0%	2.4%	2.3%	2.2%	2.0%	2.8%	3.8%	4.0%	3.0%

John Wiley & Sons' shares have declined again since our last update, which is why the valuation has dropped to a quite low level once again. We believe that shares are quite meaningfully undervalued at current prices, which is why we see significant upside potential for John Wiley's shares over the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	24.9%	32.9%	32.8%	35.6%	44.4%	41.3%	42.0%	37.9%	44.6%	56.7%	50.7%	48.3%

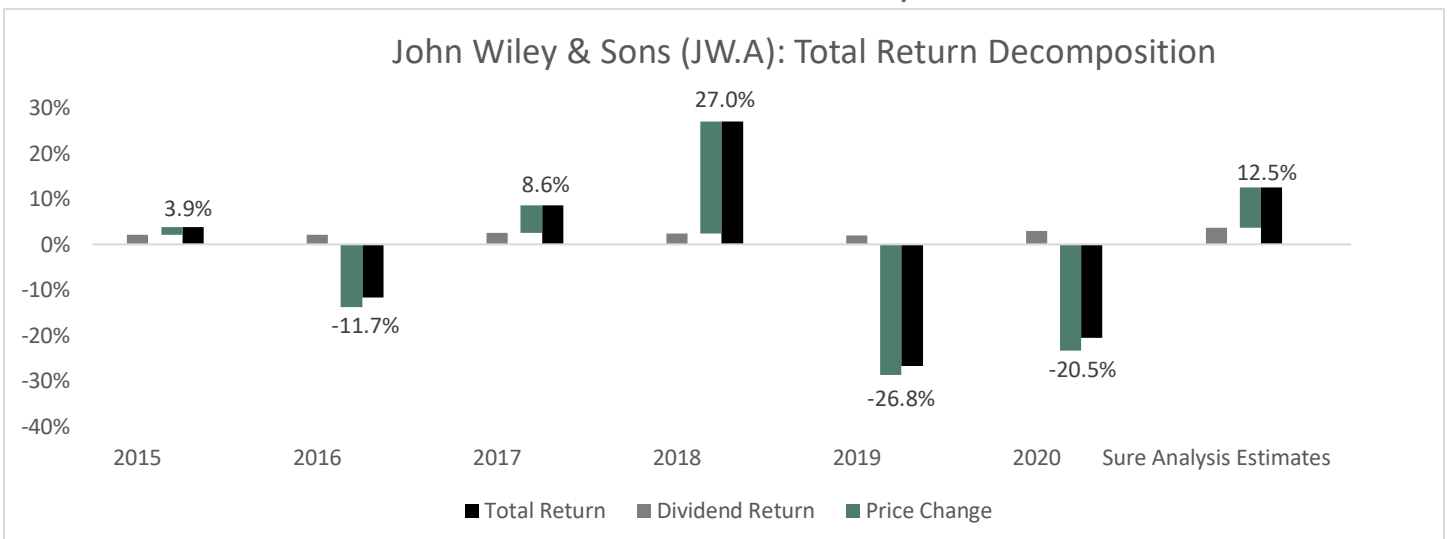
John Wiley & Sons' dividend payout ratio was never especially high. Most of the time, it remained below 50%. John Wiley & Sons has raised its dividend continually throughout the last decade. We believe that the dividend is relatively safe, especially as John Wiley's dividend was not in danger during the Great Recession, either.

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 was a 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 the current pandemic has passed and investments start to pay off. Shares are trading below fair value right now. We rate John Wiley & Sons a buy at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	1,743	1,783	1,761	1,775	1,822	1,727	1,719	1,796	1,800	1,831
Gross Profit	1,204	1,239	1,229	1,268	1,323	1,261	1,218	1,265	1,245	1,240
Gross Margin	69.1%	69.5%	69.8%	71.4%	72.6%	73.0%	70.9%	70.4%	69.2%	67.7%
SG&A Exp.	911	922	933	969	1,005	994	943	957	964	997
D&A Exp.	81	87	98	103	113	116	116	113	124	139
Operating Profit	248	280	253	254	267	217	225	260	227	181
Operating Margin	14.2%	15.7%	14.4%	14.3%	14.6%	12.5%	13.1%	14.5%	12.6%	9.9%
Net Profit	172	213	144	161	177	146	114	192	168	(74)
Net Margin	9.9%	11.9%	8.2%	9.0%	9.7%	8.4%	6.6%	10.7%	9.3%	-4.1%
Free Cash Flow	321	312	278	291	286	243	181	241	164	198
Income Tax	59	59	43	35	49	29	77	22	45	11

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	2,430	2,533	2,806	3,077	3,004	2,921	2,606	2,839	2,937	3,169
Cash & Equivalents	202	260	334	486	457	364	59	170	93	202
Accounts Receivable	168	172	162	150	147	168	189	212	295	309
Inventories	106	101	82	75	64	58	48	39	36	44
Goodwill & Int. Ass.	1,576	1,606	1,790	1,888	1,880	1,829	1,810	1,868	1,961	1,924
Total Liabilities	1,452	1,515	1,818	1,895	1,949	1,884	1,603	1,649	1,756	2,235
Accounts Payable	155	151	143	143	161	166	76	90	91	94
Long-Term Debt	454	475	673	700	750	605	365	360	479	775
Shareholder's Equity	978	1,018	988	1,182	1,055	1,037	1,003	1,191	1,181	934
D/E Ratio	0.46	0.47	0.68	0.59	0.71	0.58	0.36	0.30	0.41	0.83

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	7.3%	8.6%	5.4%	5.5%	5.8%	4.9%	4.1%	7.1%	5.8%	-2.4%
Return on Equity	20.2%	21.3%	14.4%	14.8%	15.8%	13.9%	11.1%	17.5%	14.2%	-7.0%
ROIC	12.3%	14.5%	9.1%	9.1%	9.6%	8.5%	7.6%	13.2%	10.5%	-4.4%
Shares Out.	60	59	59	59	58	57	57	57	57	56
Revenue/Share	28.40	29.10	29.24	29.83	30.58	29.40	29.53	31.03	31.12	32.58
FCF/Share	5.24	5.10	4.62	4.88	4.80	4.14	3.11	4.17	2.84	3.52

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

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