



John Wiley & Sons (WLY)

Updated October 12th, 2022 by Jonathan Weber

Key Metrics

Current Price:	\$37	5 Year CAGR Estimate:	13.2%	Market Cap:	\$2.1B
Fair Value Price:	\$50	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	01/07/23 ¹
% Fair Value:	74%	5 Year Valuation Multiple Estimate:	6.3%	Dividend Payment Date:	01/20/23 ²
Dividend Yield:	3.8%	5 Year Price Target	\$61	Years Of Dividend Growth:	29
Dividend Risk Score:	A	Retirement Suitability Score:	A	Rating:	Buy

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 2023) earnings results in September. The company announced that its revenues totaled \$490 million during the quarter, which represents a decline of 0.2% versus the prior year's quarter, which was slightly less than the company's growth rate during the previous quarter.

Earnings-per-share came in well below the analyst consensus, at \$0.36, which was down by 60% year over year, therefore underperforming the company's revenue growth heavily due to margin pressure. John Wiley generated earnings-per-share of \$4.16 during fiscal 2022, which was way higher than the company's earnings-per-share of slightly less than \$3 in 2021. Management is expecting earnings-per-share to come in between \$3.70 and \$4.05 in the current year, fiscal 2023, with the decline versus 2022 driven by adverse currency rate movements and higher interest expenses.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$3.05	\$3.26	\$2.70	\$3.00	\$3.05	\$3.43	\$2.96	\$2.40	\$2.92	\$4.16	\$3.87	\$4.71
DPS	\$1.00	\$1.16	\$1.20	\$1.24	\$1.28	\$1.30	\$1.32	\$1.36	\$1.37	\$1.38	\$1.39	\$1.61
Shares³	59	59	58	57	57	57	57	56	56	56	56	55

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 pandemic, lower textbook sales have been a recent headwind.

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	16.1	18.1	18.5	17.9	19.1	18.4	15.9	15.0	19.5	12.7	9.6	13.0
Avg. Yld.	2.0%	2.0%	2.4%	2.3%	2.2%	2.0%	2.8%	3.8%	2.4%	2.6%	3.8%	2.6%

John Wiley & Sons' shares have declined meaningfully since our last update, which has pressured the valuation for its shares. Today, John Wiley is trading for less than 10x this year's expected net profit. We believe that shares do have upside potential from the current level, to around 13x net profits.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	32.8%	35.6%	44.4%	41.3%	42.0%	37.9%	44.6%	56.7%	46.9%	33.2%	35.9%	34.2%

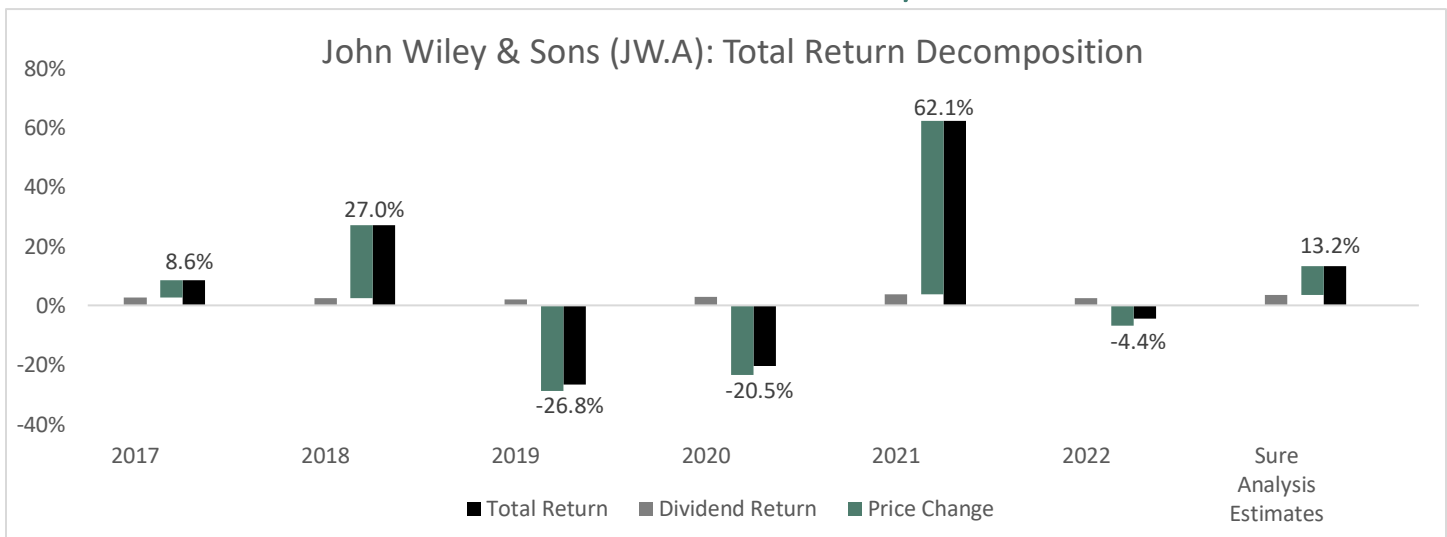
John Wiley & Sons' dividend payout ratio was never especially high. Most of the time, it remained below 50%. John Wiley & Sons has raised its dividend continually throughout the last decade. We believe that the dividend is relatively safe, especially as John Wiley's dividend was not in danger during 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, such as the shift from reading books to more screen time.

Final Thoughts & Recommendation

John Wiley & Sons is active in an attractive niche of the publishing industry. Fiscal 2022 was a very strong year for the company, and the long-term outlook is not bad, as investments are starting to pay off. Management's outlook for fiscal 2023 is less exciting, however, partially due to currency rate headwinds. Shares nevertheless promise attractive total returns and trade below fair value, which is why we rate them a buy right here.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	1,761	1,775	1,822	1,727	1,719	1,796	1,800	1,831	1,942	2,083
Gross Profit	1,229	1,268	1,323	1,261	1,218	1,265	1,245	1,240	1,316	1,382
Gross Margin	69.8%	71.4%	72.6%	73.0%	70.9%	70.4%	69.2%	67.7%	67.8%	66.4%
SG&A Exp.	933	969	1,005	994	943	953	964	997	1,023	1,080
D&A Exp.	98	103	113	156	157	154	161	175	200	215
Operating Profit	253	254	267	217	225	264	227	181	219	218
Operating Margin	14.4%	14.3%	14.6%	12.5%	13.1%	14.7%	12.6%	9.9%	11.3%	10.5%
Net Profit	144	161	177	146	114	192	168	(74)	148	148
Net Margin	8.2%	9.0%	9.7%	8.4%	6.6%	10.7%	9.3%	-4.1%	7.6%	7.1%
Free Cash Flow	278	291	286	243	181	241	140	171	227	217
Income Tax	43	35	49	29	77	22	45	11	28	61

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	2,806	3,077	3,004	2,921	2,606	2,839	2,949	3,169	3,446	3,362
Cash & Equivalents	334	486	457	364	59	170	93	202	94	100
Accounts Receivable	162	150	147	168	189	212	307	309	312	332
Inventories	82	75	64	58	48	39	36	44	43	37
Goodwill & Int. Ass.	1,878	1,971	1,950	1,901	1,891	1,947	2,024	1,978	2,320	2,234
Total Liabilities	1,818	1,895	1,949	1,884	1,603	1,649	1,767	2,235	2,355	2,219
Accounts Payable	143	143	161	166	76	90	91	94	96	77
Long-Term Debt	673	700	750	605	365	360	479	775	822	787
Shareholder's Equity	988	1,182	1,055	1,037	1,003	1,191	1,181	934	1,091	1,142
LTD/E Ratio	0.68	0.59	0.71	0.58	0.36	0.30	0.41	0.83	0.75	0.69

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	5.4%	5.5%	5.8%	4.9%	4.1%	7.1%	5.8%	-2.4%	4.5%	4.4%
Return on Equity	14.4%	14.8%	15.8%	13.9%	11.1%	17.5%	14.2%	-7.0%	14.6%	13.3%
ROIC	9.1%	9.1%	9.6%	8.5%	7.6%	13.2%	10.5%	-4.4%	8.2%	7.7%
Shares Out.	59	59	58	57	57	57	57	56	56	56
Revenue/Share	29.24	29.83	30.58	29.40	29.53	31.03	31.12	32.58	34.39	36.80
FCF/Share	4.62	4.88	4.80	4.14	3.11	4.17	2.42	3.05	4.02	3.84

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

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