



# John Wiley & Sons (WLY)

Updated October 17<sup>th</sup>, 2023 by Jonathan Weber

## Key Metrics

|                             |      |  |      |                                  |                       |
|-----------------------------|------|--|------|----------------------------------|-----------------------|
| <b>Current Price:</b>       | \$29 | <b>5 Year CAGR Estimate:</b>               | 9.7% | <b>Market Cap:</b>               | \$1.6B                |
| <b>Fair Value Price:</b>    | \$29 | <b>5 Year Growth Estimate:</b>             | 6.0% | <b>Ex-Dividend Date:</b>         | 12/23/23 <sup>1</sup> |
| <b>% Fair Value:</b>        | 100% | <b>5 Year Valuation Multiple Estimate:</b> | 0.0% | <b>Dividend Payment Date:</b>    | 01/11/24 <sup>2</sup> |
| <b>Dividend Yield:</b>      | 4.8% | <b>5 Year Price Target</b>                 | \$39 | <b>Years Of Dividend Growth:</b> | 30                    |
| <b>Dividend Risk Score:</b> | B    | <b>Retirement Suitability Score:</b>       | A    | <b>Rating:</b>                   | Hold                  |

## 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 2024) earnings results in September. The company announced that its revenues totaled \$450 million during the quarter, which represents a decline of 7% versus the prior year's quarter, which was still better than the forecasted growth (decline) rate according to the consensus analyst estimate.

Earnings-per-share came in at \$0.27 for the quarter, which beat the consensus estimate easily, as analysts had predicted a small net loss for the quarter. Profits were down compared to the previous year's period, however. John Wiley generated earnings-per-share of \$3.84 during fiscal 2023, but it is expected that fiscal 2024 will be significantly weaker. For the current year, management forecasts earnings-per-share of just \$2.05 to \$2.40, with asset sales likely having a major impact on profits.

## Growth on a Per-Share Basis

| Year                      | 2014   | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024          | 2029          |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| <b>EPS</b>                | \$3.26 | \$2.70 | \$3.00 | \$3.05 | \$3.43 | \$2.96 | \$2.40 | \$2.92 | \$4.16 | \$3.84 | <b>\$2.23</b> | <b>\$2.98</b> |
| <b>DPS</b>                | \$1.16 | \$1.20 | \$1.24 | \$1.28 | \$1.30 | \$1.32 | \$1.36 | \$1.37 | \$1.38 | \$1.39 | <b>\$1.40</b> | <b>\$1.47</b> |
| <b>Shares<sup>3</sup></b> | 59     | 58     | 57     | 57     | 57     | 57     | 56     | 56     | 56     | 56     | <b>56</b>     | <b>55</b>     |

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 headwind.

<sup>1</sup> Estimated date

<sup>2</sup> Estimated date

<sup>3</sup> In Millions

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## Valuation Analysis

| Year      | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Now  | 2029 |
|-----------|------|------|------|------|------|------|------|------|------|------|------|------|
| Avg. P/E  | 18.1 | 18.5 | 17.9 | 19.1 | 18.4 | 15.9 | 15.0 | 19.5 | 12.7 | 10.2 | 13.0 | 13.0 |
| Avg. Yld. | 2.0% | 2.4% | 2.3% | 2.2% | 2.0% | 2.8% | 3.8% | 2.4% | 2.6% | 3.6% | 4.8% | 3.8% |

John Wiley & Sons' shares have declined since our last update. Today, John Wiley is trading for around 13x this year's expected net profit. We believe that shares are relatively fairly valued at the current price. The dividend yield is at an above-average level of close to 5% today.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year   | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  | 2029  |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Payout | 35.6% | 44.4% | 41.3% | 42.0% | 37.9% | 44.6% | 56.7% | 46.9% | 33.2% | 36.2% | 62.8% | 49.3% |

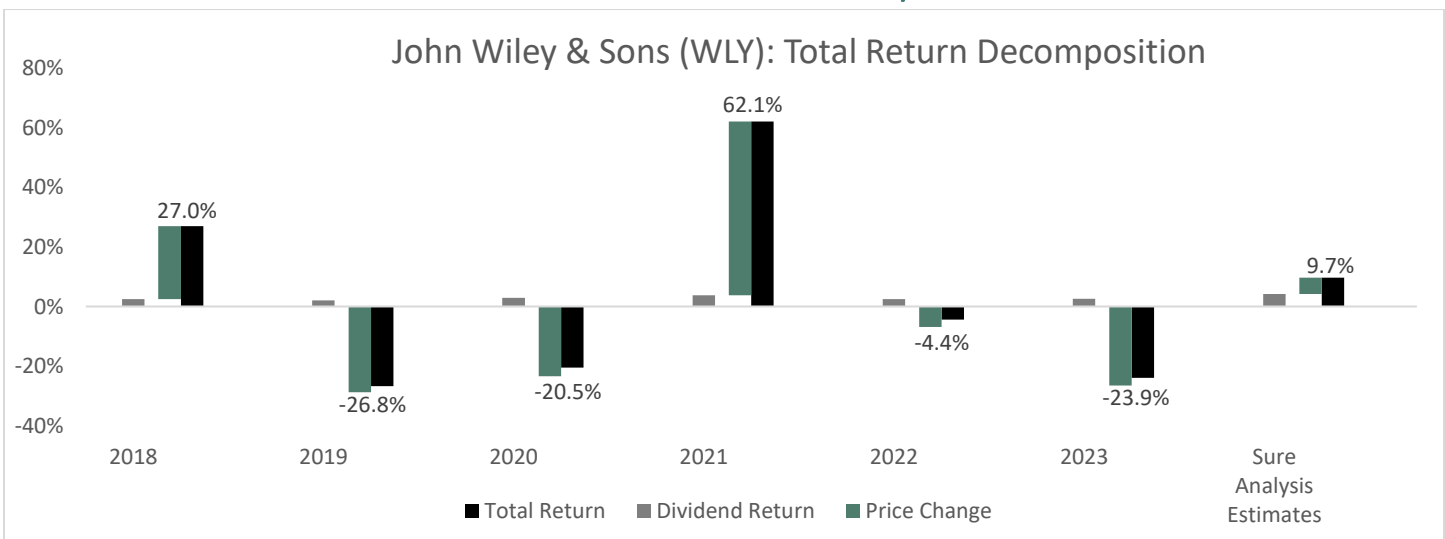
John Wiley & Sons' dividend payout ratio was never especially high. Most of the time, it remained below 50%. John Wiley & Sons has raised its dividend continually throughout the last decade. We believe that the dividend is relatively safe, especially as John Wiley's dividend was not in danger during 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, 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 strong year for the company, but 2023 was worse, and management forecasts a significant earnings decline for the current year. The valuation is pretty fair today, while the dividend yield is at an above-average level today. Overall, the total return outlook is good but not great, which is why we rate the company a hold today.

## Total Return Breakdown by Year



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## Income Statement Metrics

| Year                    | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Revenue</b>          | 1,775 | 1,822 | 1,727 | 1,719 | 1,796 | 1,800 | 1,831 | 1,942 | 2,083 | 2,020 |
| <b>Gross Profit</b>     | 1,268 | 1,323 | 1,261 | 1,218 | 1,265 | 1,245 | 1,240 | 1,316 | 1,382 | 1,327 |
| <b>Gross Margin</b>     | 71.4% | 72.6% | 73.0% | 70.9% | 70.4% | 69.2% | 67.7% | 67.8% | 66.4% | 65.7% |
| <b>SG&amp;A Exp.</b>    | 969   | 1,005 | 994   | 943   | 953   | 964   | 997   | 1,023 | 1,080 | 1,037 |
| <b>D&amp;A Exp.</b>     | 103   | 113   | 156   | 157   | 154   | 161   | 175   | 200   | 215   | 213   |
| <b>Operating Profit</b> | 254   | 267   | 217   | 225   | 264   | 227   | 181   | 219   | 218   | 205   |
| <b>Operating Margin</b> | 14.3% | 14.6% | 12.5% | 13.1% | 14.7% | 12.6% | 9.9%  | 11.3% | 10.5% | 10.2% |
| <b>Net Profit</b>       | 161   | 177   | 146   | 114   | 192   | 168   | (74)  | 148   | 148   | 17    |
| <b>Net Margin</b>       | 9.0%  | 9.7%  | 8.4%  | 6.6%  | 10.7% | 9.3%  | -4.1% | 7.6%  | 7.1%  | 0.9%  |
| <b>Free Cash Flow</b>   | 291   | 286   | 243   | 181   | 241   | 140   | 171   | 227   | 217   | 170   |
| <b>Income Tax</b>       | 35    | 49    | 29    | 77    | 22    | 45    | 11    | 28    | 61    | 16    |

## Balance Sheet Metrics

| Year                            | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Total Assets</b>             | 3,077 | 3,004 | 2,921 | 2,606 | 2,839 | 2,949 | 3,169 | 3,446 | 3,362 | 3,109 |
| <b>Cash &amp; Equivalents</b>   | 486   | 457   | 364   | 59    | 170   | 93    | 202   | 94    | 100   | 107   |
| <b>Accounts Receivable</b>      | 150   | 147   | 168   | 189   | 212   | 307   | 309   | 312   | 332   | 310   |
| <b>Inventories</b>              | 75    | 64    | 58    | 48    | 39    | 36    | 44    | 43    | 37    | 31    |
| <b>Goodwill &amp; Int. Ass.</b> | 1,971 | 1,950 | 1,901 | 1,891 | 1,947 | 2,024 | 1,978 | 2,320 | 2,234 | 2,059 |
| <b>Total Liabilities</b>        | 1,895 | 1,949 | 1,884 | 1,603 | 1,649 | 1,767 | 2,235 | 2,355 | 2,219 | 2,064 |
| <b>Accounts Payable</b>         | 143   | 161   | 166   | 76    | 90    | 91    | 94    | 96    | 77    | 84    |
| <b>Long-Term Debt</b>           | 700   | 750   | 605   | 365   | 360   | 479   | 775   | 822   | 787   | 748   |
| <b>Shareholder's Equity</b>     | 1,182 | 1,055 | 1,037 | 1,003 | 1,191 | 1,181 | 934   | 1,091 | 1,142 | 1,045 |
| <b>LTD/E Ratio</b>              | 0.59  | 0.71  | 0.58  | 0.36  | 0.30  | 0.41  | 0.83  | 0.75  | 0.69  | 0.72  |

## Profitability & Per Share Metrics

| Year                    | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Return on Assets</b> | 5.5%  | 5.8%  | 4.9%  | 4.1%  | 7.1%  | 5.8%  | -2.4% | 4.5%  | 4.4%  | 0.5%  |
| <b>Return on Equity</b> | 14.8% | 15.8% | 13.9% | 11.1% | 17.5% | 14.2% | -7.0% | 14.6% | 13.3% | 1.6%  |
| <b>ROIC</b>             | 9.1%  | 9.6%  | 8.5%  | 7.6%  | 13.2% | 10.5% | -4.4% | 8.2%  | 7.7%  | 0.9%  |
| <b>Shares Out.</b>      | 59    | 58    | 57    | 57    | 57    | 57    | 56    | 56    | 56    | 56    |
| <b>Revenue/Share</b>    | 29.83 | 30.58 | 29.40 | 29.53 | 31.03 | 31.12 | 32.58 | 34.39 | 36.80 | 35.84 |
| <b>FCF/Share</b>        | 4.88  | 4.80  | 4.14  | 3.11  | 4.17  | 2.42  | 3.05  | 4.02  | 3.84  | 3.02  |

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

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