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Fourth Quarter and Fiscal 2017 Earnings Report

June 13, 2017

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About Wiley

Wiley is a global research and learning company. Through the **Research** segment, the Company provides scientific, technical, medical, and scholarly journals, as well as related content and services, for academic, corporate, and government libraries, learned societies, and individual researchers and other professionals. The **Publishing** segment provides scientific (STM), professional development, and education books and related content, as well as test preparation services and course workflow tools, to libraries, corporations, students, professionals, and researchers. In **Solutions**, Wiley provides online program management services for higher education institutions, and learning, development, and assessment services for businesses and professionals.

Introduction

Matthew Kissner
Interim CEO and Chairman of the Board

- Fourteen year veteran of Wiley Board of Directors (Chairman since 2015)
- Former Chair, Executive, Governance, Audit, and Compensation Committees
- Former Pitney Bowes EVP, Group President
- Leadership positions at Banker’s Trust, Citigroup, and Morgan Stanley

Fiscal Year Summary

- **Revenue decline of 1% excluding impact of foreign exchange, subscription shift, and acquisitions.** Steady Research performance and double-digit growth in Solutions offset by a 7% decline in Publishing (market weakness in print books)
- **Adjusted EPS growth of 1% excluding impact of foreign exchange, subscription shift, and acquisitions; favorable to outlook** primarily due to realized tax planning benefits and efficiency gains
- **Percentage of revenue from digital products and services increased to 68%** (up from 63% in FY16)
- **Cash from Operations lower than prior year** (-$35M) due to unfavorable timing involving working capital and an unbudgeted $7 million contribution to our UK pension just before year-end; **Free Cash Flow excluding composition and product development costs** lower (-$53M) with higher capex ($17M) mostly related to headquarters transformation
- **Key events:** Atypon acquired; CEO transition and search underway; operational excellence initiative commenced

Fiscal Year Performance Summary

(millions)	FY 2017	FY 2016	Change	Change (ex-FX)
Revenue	$1,718.5	$1,727.0	0%	2%
Adjusted Operating Income*	$228.4	$216.7	5%	7%
Adjusted Operating Margin	13.3%	12.5%		
Adjusted EPS*	$3.00	$2.70	11%	13%

- Above includes transitional impact of shift to time-based subscriptions, which was favorable to revenue by $34M, operating income by $29M, and adjusted EPS by $0.38; also includes impact from acquisitions (+$19 million revenue and -0.08 EPS)
- Revenue -1% and adjusted EPS +1% at constant currency and excluding above impacts.
  - Revenue performance due to mid-teen growth in Solutions and steady performance in Research offset by a 7% decline-in Publishing
  - Earnings performance primarily due to realized tax planning benefits and efficiency gains

** Adjusted to exclude unusual charges, credits, and settlements in FY17 and FY16*

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Fourth Quarter Performance Summary

(millions)	Q4 2017	Q4 2016	Change	Change (ex-FX)
Revenue	$452.2	$434.3	4%	6%
Adjusted Operating Income*	$61.7	$51.1	21%	16%
Adjusted Operating Margin	13.7%	11.8%		
Adjusted EPS*	$0.82	$0.67	22%	19%

- Above includes impact from acquisitions (+$9 million revenue and -$0.03 EPS); no impact from shift to time-based subscriptions
- Revenue +4% and adjusted EPS +24% at constant currency and excluding impact of acquisitions
  - Continued double-digit growth in Solutions
  - Solid growth in Publishing segment primarily due to favorable timing for Book sales and continued growth in Test Preparation and Course Workflow
  - Fourth quarter earnings performance primarily due to strong profit improvement in Publishing and Solutions

** Adjusted to exclude restructuring charges and/or credits*

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Research

(millions)	FY 2017	FY 2016	% of Revenue	Change (ex-FX)
Journal Subscriptions	$639.7	$622.3	75%	6%
Author-Funded Access	$30.6	$25.7	4%	26%
Licensing, Reprints, Backfiles, Other	$164.1	$178.8	19%	(3%)
Total Journal Revenue	**$834.4**	**$826.8**	**98%**	**4%**
Platform Services (Atypon)	$19.1		2%	
TOTAL REVENUE	**$853.5**	**$826.8**	**100%**	**7%**
ADJ. CONTRIBUTION TO PROFIT (CTP)*	**$254.2**	**$255.1**		**2%**

- Revenue increase from favorable impact of shifting to time-based Journal Subscriptions (+$34M), Atypon contribution (+$19 million), steady underlying performance in subscriptions, and strong growth in Author-Funded Access (+26%), offsetting a $10M backfile sale in prior year. Excluding subscription shift and Atypon investment, Research revenue increased marginally
- CY17 journal subscription billings up 1% with 97% of expected business closed
- Society licensing wins even with prior year; 91 journals renewed /extended worth $67M
- Adjusted CTP increased 2% due to favorable shift to time-based subscriptions (+$29M in operating profit), offsetting high margin backfile sale in prior year and Atypon investment. Excluding subscription shift and Atypon investment, Research adjusted CTP down 8%
- Q4 revenue up 3% and Adjusted Contribution to Profit down 3% due to investments in Atypon

** Adjusted to exclude restructuring charges*

Publishing

(millions)	FY 2017	FY 2016	% Revenue	Change (ex-FX)
STM and Professional Books	$291.3	$331.0	46%	(9%)
Education Books	$196.3	$230.0	31%	(13%)
Total Books and References	**$487.6**	**$561.0**	**77%**	**(11%)**
Course Workflow (WileyPLUS)	$62.3	$58.5	10%	7%
Online Test Preparation and Certification	$35.6	$28.1	6%	27%
Licensing, Distribution, Advertising, Other	$47.9	$48.1	8%	3%
TOTAL REVENUE	**$633.4**	**$695.7**	**100%**	**(7%)**
ADJ. CONTRIBUTION TO PROFIT (CTP)*	**$127.3**	**$130.6**		**0%**

- Books and References decline (-11%) due to market weakness in print across most categories
- Course Workflow (WileyPLUS) growth remains consistent (+7%) on strength of quantitative disciplines
- Online Test Preparation and Certification growth (+27%) due to strong performance from CPA, CFA, and ACT programs
- Adjusted CTP flat with savings from restructuring and efficiency gains offsetting lower revenue
- Q4 Revenue and Adjusted Contribution to Profit up 7% and 117%, respectively, due to favorable timing of orders and lower returns for Books, as well as savings from restructuring

** Adjusted to exclude restructuring charges*

Solutions

(millions)	FY 2017	FY 2016	% of Revenue	Change (ex-FX)
Online Program Management	$111.6	$96.5	48%	16%
Professional Assessment	$59.9	$57.4	26%	5%
Corporate Learning	$60.1	$50.7	26%	20%
TOTAL REVENUE	**$231.6**	**$204.5**	**100%**	**14%**
ADJ. CONTRIBUTION TO PROFIT (CTP)*	**$16.6**	**$5.0**		**224%**

- Online Program Management (OPM) added four new partners in the fiscal year – George Mason (VA), St. John's (NY), Seton Hall (NJ), and Vlerick (Belgium)
- OPM ended the year with 39 partners and 250 programs under contract compared to 38 partners and 226 programs at end of prior year (24 net new programs)
- Corporate Learning up 20% on strong growth across Europe and North America
- Adjusted CTP up 224% due to improved operating efficiencies across the business
- Q4 revenue and Adjusted Contribution up 14% and 27%, respectively

** Adjusted to exclude restructuring charges*

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Adjusted Shared Services Costs

(millions spent)	FY 2017*	FY 2016*	Change (ex-FX)
Distribution and Operation Services	$75.8	$80.0	(1%)
Technology and Content Management	$266.8	$258.6	5%
Finance	$47.0	$46.8	3%
Other Administration	$117.7	$131.8	(9%)
Total	**$507.3**	**$517.2**	**0%**

- Distribution and Operation Services costs down 1% primarily due to facilities consolidation
- Technology and Content Management up 5% for the year due to ERP and related systems investment
- Continued actions to drive operational excellence and cost efficiencies

** Adjusted to exclude restructuring charges*

Balance Sheet

Balance Sheet (millions)	As of 4/30/17	As of 4/30/16
Cash and Cash Equivalents	$58.5	$363.8
Long Term Debt	$365.0	$605.0
Net Debt	$306.5	$241.2
Net Debt to adjusted EBITDA (ttm)	0.8	0.7

- Strong balance sheet continues to provide flexibility for investment and return of capital (over $700 million available under the RCA)
- Lower cash position due to repayment of debt with proceeds from tax efficient repatriation of cash from foreign entities. The initiative also resulted in a $60 million gain on a related GBP inter-company hedge, realized in the fourth quarter
- M&A interests focused on enablers for profitable growth in research and digital and online learning (Atypon acquired in Q2)

Cash Flow

Cash Flow (millions)	FY 2017	FY 2016
Net Income	$113.6	$145.8
Cash From Operations	**$314.5**	**$350.0**
Tech, Prop, Equip	($110.7)	($93.7)
Composition and Product Development Spend	($37.6)	($37.3)
Free Cash Flow (FCF) Less Composition and Product Dev Spend	**$166.2**	**$219.0**
Selected Uses of Cash:		
Acquisitions	($154.8)	($20.4)
Dividends	($71.5)	($69.9)
Share Repurchases	($50.3)	($70.0)

- Cash from Operations down (-$35M) primarily a result of unfavorable impact of timing around working capital (net income decline mostly non-cash - German tax settlement, etc) and an unbudgeted $7 million contribution to our UK pension just before year-end
- Free Cash Flow (-$53M) with higher capex (+$17M) mostly related to headquarters transformation
- Acquisitions, including Atypon, Ranku and acquired journal publication rights, totaled $155M
- Repurchased 953K shares for approximately $50.3M, an average cost of $52.80; nearly 3.8M shares remaining in the repurchase program
- 23 straight years of dividend increases; next annual review in the coming weeks

Investing for Growth and Operational Excellence

1. Investing in Research to improve revenue growth above 1-2% (higher article output; more share in China/India; new professional services for academic societies, researchers, etc)
2. Investing in Solutions businesses for profitable growth, increased scale and operational efficiency gains
3. Investing in customer-facing technologies – Online library migration (Literatum), other publishing platforms, WileyPLUS
4. Investing in process optimization and business systems (ERP, etc) for greatly improved efficiency across the enterprise
5. Operational excellence initiatives focused on speed, quality and customer service
6. Books review still in process - but continuing to sharpen the portfolio

Q1 charge of approximately $25M to yield $45M in annualized savings in FY19, with about half of that to be realized in FY18. Approximately half of savings to be reinvested

FY18 Outlook

Metric ($M)	FY17 Actual	FY18 Expectation*	Potential FX Benefit (at current rates)
Revenue	$1,718.5	Approximately even	$25 million
Adj. Operating Income	$228.4	Approximately even	$20 million
Adj. EPS	$3.00	Low-single digit % decline	$0.25
Cash from Operations	$314.5	$350 million or higher	
Capex**	$148.3	Slightly lower	

*At constant currency. Adj. operating income and adj. EPS further exclude unusual charges, credits, and settlements in FY18 and FY17
**Includes Technology, Property, and Equipment and Book Composition and Other Product Development Spending

- Revenue expected to be even with FY17 due to modest growth in Research and low-teen growth in Solutions offset by declines in Publishing
- Adjusted Operating Income expected to be even with FY17 due to flat revenue
- Adjusted EPS expected to be down low-single digits mostly due to non-recurring tax benefits in FY17
- Free Cash Flow expected to be up due to improved Cash from Operations
- If current rates hold, significant favorable FX variances will further improve revenue and profit

Looking Beyond FY18

- Reinvestment in Research expected to accelerate revenue growth
- Solutions segment, already EBITDA positive, to turn EPS accretive on continued revenue growth and efficiency gains
- Publishing segment to improve digital capabilities for content creation and alternative delivery models
- Considerable savings from operational excellence initiatives and workforce realignment
- ERP and headquarters office transformation completed, resulting in productivity benefits, lease savings, and free cash flow improvement
- Literatum migration complete; Atypon to turn accretive and begin to yield considerable development savings
- Exceptional financial strength (BS/CF) for flexibility and expansion

Significant improvement in operating income, EPS, and cash flow in FY19 and FY20

Summary

- FY17 earnings performance better than expected; strong momentum in digital transformation (now approaching 70% of our revenue)
- Steady FY18 outlook with positive performance in Research and strong growth in Solutions offset by Publishing declines; earnings growth adversely impacted by major one-time tax benefits in prior year
- Beyond FY18, outlook for revenue, earnings and cash flow accelerates as major infrastructure investments conclude and targeted investment enables improved revenue, efficiency gains and earnings growth over the long term
- Strong balance sheet and reliable cash flow continue to allow us to return cash to shareholders (through dividends and repurchases) and invest for long-term success

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