

Second Quarter 2018 Earnings Report

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Speakers

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WILEY

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Adjusted Results: The Company provides financial measures referred to as “adjusted,” which exclude unusual charges and credits as more fully described in our press release schedules, located at <http://newsroom.wiley.com/earnings-releases>.

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Introduction – Brian Napack



- Leader, innovator, and entrepreneur in the media, education, and information industries
- Former Senior Advisor, Providence Equity Partners
- Former President, Macmillan
- Experience serving on relevant boards such as Blackboard, Houghton Mifflin Harcourt, Ascend Learning, Burning Glass, Ingram Industries, Recorded Books, myON, Synergis Education, and Zero To Three
- Senior roles at L.E.K. Consulting, The Walt Disney Company, Simon and Schuster, and A.T Kearney

Highlights

- Revenue increased 6% to \$452 million; +3% at constant currency
- Adjusted EPS increased from \$0.78 to \$1.03 per share; +22% at constant currency
- Operational excellence initiatives contribute to profit improvement across all three segments
- Free Cash Flow (Less Product Development Spending) for the six months improved by \$38 million
- New President and CEO announced; New EVP of Publishing segment
- Company celebrating 210 years of publishing many of the world's advances in research and learning

Quarterly Performance

(millions)	Q2 2018	Q2 2017	Change ex-FX
Revenue	\$451.7	\$425.6	3%
Adjusted Operating Income	\$81.4	\$63.3	16%
Adjusted Operating Margin	18.0%	14.9%	
Adjusted EPS	\$1.03	\$0.78	22%

Note: Adjusted operating income and margin exclude restructuring charges and credits in both years. Adjusted EPS excludes restructuring charges and credits, as well as foreign exchange losses related to intercompany transactions in both years, and a prior year unfavorable tax decision in Germany, deferred income tax benefit in the UK, and one time pension settlement

Year-to-Date Performance

(millions)	1H 2018	1H 2017	Change ex-FX
Revenue	\$863.2	\$829.9	2%
Adjusted Operating Income	\$125.2	\$106.3	5%
Adjusted Operating Margin	14.5%	12.8%	
Adjusted EPS	\$1.62	\$1.31	12%

Note: Adjusted operating income and margin exclude restructuring charges and credits in both years. Adjusted EPS excludes restructuring charges and credits, as well as foreign exchange losses related to intercompany transactions in both years, and a prior year unfavorable tax decision in Germany, deferred income tax benefit in the UK, and one time pension settlement

Research

<i>(millions)</i>	Q2 2018	Q2 2017	% of Revenue	Change ex-FX
Journal Subscriptions	\$170.2	\$159.7	74%	0%
Open Access	\$9.4	\$7.4	4%	25%
Licensing, Reprints, Backfiles, Other	\$41.3	\$36.4	18%	11%
Total Journal Revenue	\$220.9	\$203.5	96%	3%
Publishing Technology Services (Atypon)	\$8.0	\$2.5	4%	
TOTAL REVENUE	\$228.9	\$206.0	100%	5%
ADJ. CONTRIBUTION TO PROFIT (CTP)*	\$70.8	\$60.5		4%

- Journal Revenue powered by strong double-digit growth in gold Open Access
- Atypon performing in line with expectations; migration of Wiley Online Library on track for early CY18
- Society partnerships: net new publishing wins of \$3 million

* Adjusted to exclude unusual charges and credits in both years

Publishing

<i>(millions)</i>	Q2 2018	Q2 2017	% Revenue	Change ex-FX
STM and Professional Publishing	\$71.5	\$68.1	43%	4%
Education Publishing	\$57.7	\$57.5	35%	(1%)
Course Workflow (WileyPLUS)	\$16.3	\$19.9	10%	(18%)
Test Preparation and Certification	\$7.9	\$7.5	5%	5%
Licensing, Distribution, Advertising, Other	\$11.6	\$10.3	7%	11%
TOTAL REVENUE	\$165.0	\$163.3	100%	0%
ADJ. CONTRIBUTION TO PROFIT (CTP)*	\$42.5	\$36.7		14%

- Book performance better than expected driven primarily by print growth in STM and Professional and digital growth in Education
- Course Workflow (WileyPLUS) decline due to timing of revenue recognition, reflecting longer sales amortization for subscription periods extending across two semester courses; sales rose 8% net of actual returns
- Adjusted CTP growth enabled by cost reductions achieved through restructuring

* Adjusted to exclude unusual charges and credits in both years

Solutions

<i>(millions)</i>	Q2 2018	Q2 2017	% of Revenue	Change ex-FX
Education Services (OPM)	\$29.8	\$28.0	52%	6%
Professional Assessment	\$15.8	\$16.2	27%	(2%)
Corporate Learning	\$12.3	\$12.1	21%	(4%)
TOTAL REVENUE	\$57.9	\$56.3	100%	2%
ADJ. CONTRIBUTION TO PROFIT (CTP)*	\$6.7	\$5.9		14%

- Education Services: four new degree programs signed (one discontinued); total program and university partner count at 39 and 254, respectively
- Corporate Learning decline due to slowing French government funding for unemployment initiatives and blended learning programs
- Professional Assessment down due to planned channel shift; leveraging intermediaries to enable profitable growth for pre-hire assessments
- Adjusted CTP growth due to efficiency gains

* Adjusted to exclude unusual charges and credits in both years

Financial Position

Balance Sheet (millions)	As of 10/31/17	As of 10/31/16
Cash and Cash Equivalents	\$72.9	\$267.4
Long Term Debt	\$563.0	\$884.0
Net Debt	\$490.1	\$616.6
Net Debt to Adjusted EBITDA (ttm)	1.3	1.9

Cash Flow

Cash Flow (millions)	1H 2018	1H 2017
Net Income	\$69.3	\$19.5
Cash Used for Operating Activities	(\$46.4)	(\$86.1)
Technology, Property, and Equipment	(\$56.3)	(\$52.7)
Product Development Spending	(\$15.1)	(\$16.6)
Free Cash Flow (FCF)		
Less Product Development Spending	(\$117.8)	(\$155.4)
Selected Uses of Cash:		
Acquisitions	(\$6.1)	(\$135.8)
Dividends	(\$36.7)	(\$35.9)
Share Repurchases	(\$29.3)	(\$21.3)

- Cash flow improvement due to timing of cash collections and payments
- 551K shares repurchased YTD (+33% vs. FY17); approximately 3.2 million remain in authorization
- Dividend raised in June for the 24th consecutive year

Fiscal 2018 Outlook

Metric (\$M, except EPS)	FY17 Actual	1H18 Growth (at constant currency)	FY18 Expectation (at constant currency)
Revenue	\$1,718.5	+2%	Approximately even
Adj. Operating Income	\$228.4	+5%	Approximately even
Adj. EPS	\$3.01	+12%	Low-single digit % decline
Cash from Operations	\$314.5	+\$40 million	\$350 million or higher
Capex**	\$148.3	+\$4 million	Slightly lower

- Guidance reaffirmed. Second half will see an unfavorable tax comparison to prior year (\$0.12 tax benefits recorded in Q317) and an increase in technology investment; Book markets remain uncertain
- If current rates hold, Wiley expects to report positive FY18 FX variances of approximately \$45 million revenue, \$25 million in operating income, and \$0.35 in EPS due to changes in exchange rates and functional currency gains

**Includes Technology, Property, and Equipment and Product Development Spending

Summary

- Second quarter revenue and adjusted EPS up 3% and 22%, respectively
- First half revenue and adjusted EPS up 2% and 12%
- Free Cash Flow (Less Product Development Spending) for the six months improved by \$38 million
- New President and CEO announced; New EVP of Publishing segment
- Full year guidance reaffirmed