

# John Wiley & Sons, Inc. NYSE:WLY

## FQ4 2023 Earnings Call Transcripts

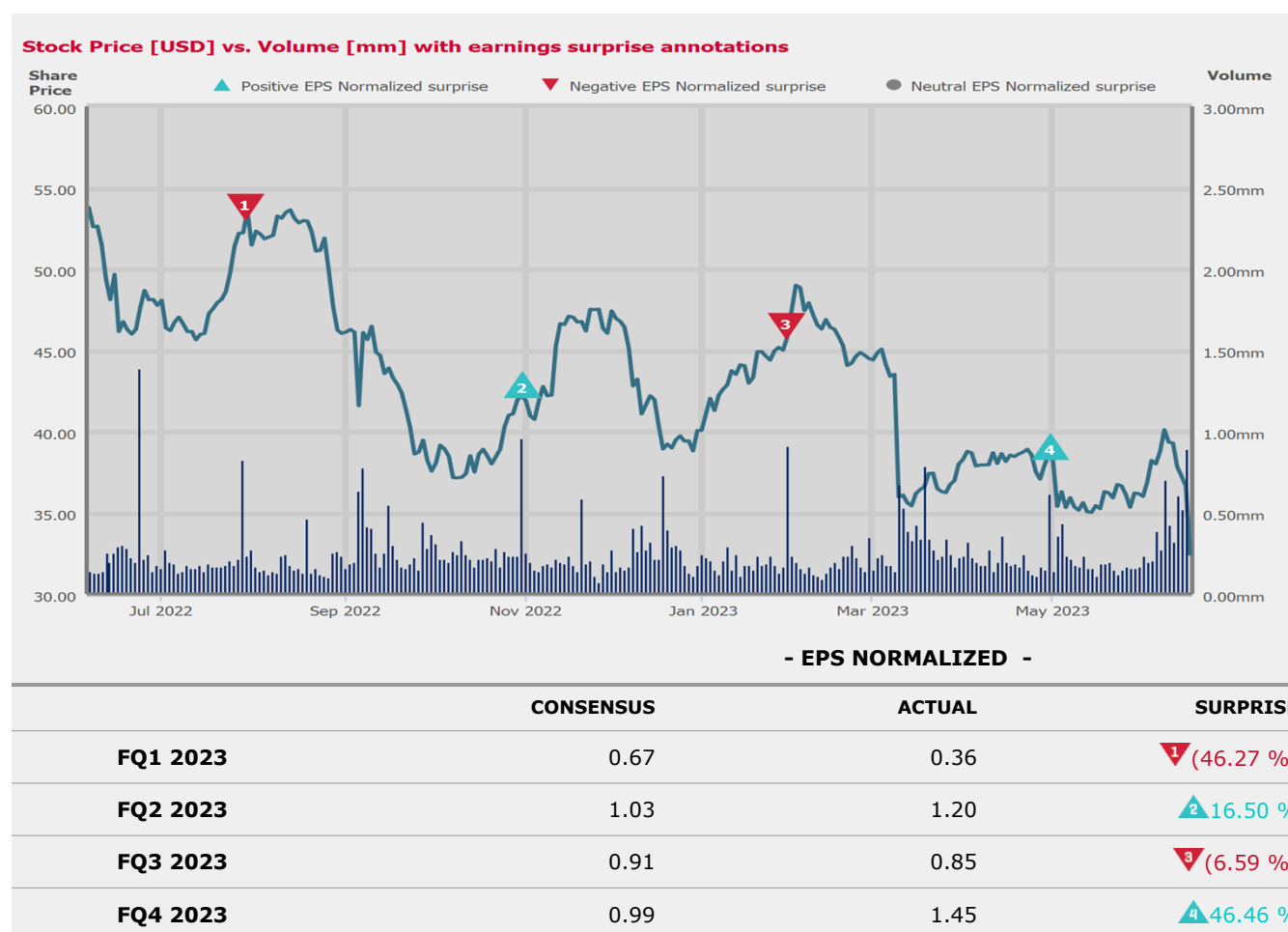
**Thursday, June 15, 2023 2:00 PM GMT**

S&P Global Market Intelligence Estimates

	-FQ4 2023-			-FY 2023-			-FY 2024-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
<b>EPS Normalized</b>	0.99	1.45	▲46.46	3.40	3.84	▲12.94	3.50
<b>Revenue (mm)</b>	521.20	526.13	▲0.95	2015.00	2019.90	▲0.24	2110.40

Currency: USD

Consensus as of Jun-06-2023 11:06 PM GMT



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# Call Participants

## EXECUTIVES

**Brian Campbell**

*Vice President, Investor Relations*

**Brian A. Napack**

*President, CEO & Director*

**Christina M. Van Tassell**

*Executive VP & CFO*

## ANALYSTS

**Daniel Joseph Moore**

*CJS Securities, Inc.*

# Presentation

## Operator

Good morning, and welcome to Wiley's Q4 Fiscal 2023 Earnings Call. As a reminder, this conference is being recorded. At this time, I'd like to introduce Wiley's Vice President of Investor Relations, Brian Campbell. Please go ahead.

## Brian Campbell

*Vice President, Investor Relations*

Thank you, and welcome, everyone. Joining me today are Brian Napack, Wiley's President and CEO; and Christina Van Tassell, Executive Vice President and CFO. Note that our comments and responses to your questions reflect management's views as of today and will include forward-looking statements. Actual results may differ materially from those statements. The company does not undertake any obligation to update them to reflect subsequent events or circumstances.

Also, Wiley provides non-GAAP measures as a supplement to evaluate underlying operating profitability and performance trends. These measures do not have standardized meanings described by U.S. GAAP and therefore may not be comparable to similar measures used by other companies, nor should they be viewed as alternatives to measures under GAAP. Unless otherwise noted, we will refer to non-GAAP metrics on the call, and variances are on a year-over-year basis and will exclude the impact of currency.

Additional information is included in our filings with the SEC. A copy of this presentation and transcript will be available on our Investor Relations web page at [investors.wiley.com](https://investors.wiley.com).

I'll now turn the call over to Brian Napack.

## Brian A. Napack

*President, CEO & Director*

Hello, everyone, and thanks for joining. We have a lot to talk about. As you saw in our press release, we're announcing today a set of actions that will unlock significant value for our shareholders. These actions will focus Wiley on its greatest strength, its best opportunities and its most profitable business lines. They will significantly simplify Wiley and, in doing so, increase both our competitive advantage and our financial performance. Today, Wiley leans into its strength as a global knowledge company, a leader in research and the creation of new knowledge and in the application of this knowledge to solve real-world problems. We are very excited about the next phase of Wiley's journey, and we're looking forward to sharing this vision with you.

Before we dive all the way in, let me give you a top of the waves view of today's main messages. First, regarding performance, fiscal '23 did not play out as we expected. As discussed through the year, macro and market headwinds drove lower spending in our education markets. In addition to this, we proactively decided to temporarily suspend a fast-growing publishing program due to a content integrity issue that we have now resolved. For these reasons, Wiley's revenue performed significantly under delivered. We moved aggressively and mitigated the impact on profitability, but we were nonetheless disappointed in our results.

Second, we are taking decisive action to unlock value by sharpening Wiley's focus. You've heard me say before that a simpler Wiley is a better Wiley, and we are now acting to achieve this goal. We are focusing Wiley on our strong and highly profitable core and our best opportunities in Research and Learning, where we are a global leader. As we focus Wiley, we are divesting certain nonstrategic assets and we are restructuring and rightsizing the company to drive sustained performance improvement.

It will take some time to work through these changes and also to shake off the unusual market events in 2023. As we do, we'll continue to invest actively in our future. So fiscal '24 will be a transition year for Wiley. We expect to begin realizing benefits from all these actions later in fiscal '24, building toward their full realization in fiscal '25 and '26 and beyond.

Wiley is a special company with a rich legacy and extraordinary team and a bright future. We are financially strong and we are leaders in the market for new knowledge. We have many large opportunities in front of us, and we are now focusing the company to deliver the results that our stakeholders deserve.

Now I'll talk about full year performance. As I said, fiscal year 2023 was a challenging and unpredictable year in our markets, and Wiley's results were simply not good enough. We ended the year with revenue flat on a constant currency basis due to soft demand in education and lower-than-expected publishing volume in Research, most notably from the Hindawi special issues publishing pause.

Our GAAP EPS was \$0.31 compared to \$2.62 in the prior year. This large variance was due to \$1.77 per share noncash goodwill impairment to University Services and \$0.66 of restructuring charges related to targeted workforce reductions and real estate consolidation. Adjusted EBITDA declined 2% to \$422 million with increased investment in Research, offsetting expense management and lower incentive compensation driven by underperformance. That said, our adjusted EBITDA margin of 21% was modestly ahead of prior year. Our adjusted EPS declined 8% to \$3.84 with higher interest expense as the primary contributor.

As I mentioned, the revenue shortfall against expectations was substantial, but reacted quickly and effectively. We actioned significant cost savings in the year, and these actions largely mitigated the impact on profitability. EPS landed in our original guidance range and EBITDA landed slightly below the range. Free cash flow of \$173 million was down by \$50 million. The difference between earnings and cash flow was largely a result of restructuring payments and higher interest expense. Christina will talk about all this in more detail.

I want to give you some context about Research's performance this past year, which was atypical. There were 3 primary short-term drivers of the shortfall, and they do not alter our confidence in the trajectory of the business. The most significant was our special issues publishing pause at Hindawi, which we discussed in depth last quarter. The second driver was article volume, which was lower than expected. A third was the cyclical downturn in spending on advertising and other marketing services, which led to lower corporate solutions revenue.

I'll now talk about the first 2. Throughout fiscal '23, both submissions and publishing output lagged both our expectations and historical norms. This was true across the industry. Industry-article volume declined in 18 of the top 20 geographic markets in calendar '22. This unusual softness is attributed to 2 separate but related shorter-term issues. The first is the unwinding of the well-documented COVID bump up in research article submissions that occurred during the COVID years of 2020 and 2021. And the second is the material loss in researcher productivity during those same years, which inevitably led to reduced output.

Essentially, many researchers were unable to conduct new research during the lockdown so they spent their time writing papers. At the same time, the world was urgently pushing to get new COVID research out, so there was an explosion of health science papers spurred on by the pandemic. The net result was that our article growth was 15% in '21 and 7% in '22. The flip side of this pandemic benefit, however, was that new research projects were largely on hold in '20 and '21 due to lockdowns and lab closures. So we saw the number of new research projects drop off precipitously, and this led to the decline in papers produced in 2022.

We are now seeing all of this unwind and expect to see more normalized output growth in the mid-single-digit range in fiscal '24. Notably, global R&D spending, our underlying leading indicator, remains strong, and this inevitably leads to greater research article volume.

The publishing pause at Hindawi was also a drag on performance in fiscal '23. As discussed in Q3, we suspended the fast-growing special issues program after identifying a research integrity issue. This issue was the result of external misconduct by non-Wiley editors and reviewers. Essentially, Wiley decided to take a short-term hit to preserve the integrity of our journals and the value of our highly respected Wiley brand. This industry-wide issue has been widely reported on, and we believe that we now have it fully remediated in Wiley.

Nonetheless, in Q4, we retracted 1,200 articles for a total of 1,700 and we closed 4 impacted journals. We also learned that 19 Hindawi journals would be removed from the annual Clarivate Web of Science Index. These journals were among more than 80 delisted from publishers across the industry. Wiley has one of the highest-ranked journal portfolios in the world, so we were obviously disappointed in this development. The disruption at Hindawi was consequential in fiscal '23, reducing our revenue growth expectations by \$30 million. And this will spill over into fiscal '24, reducing our projected revenue by \$30 million to \$35 million. This was a second half event in fiscal '23, so most of the year-on-year comparative impact will be seen in H1 of fiscal '24.

Fiscal '24 will be a year of revitalization for Hindawi with positive signs already emerging. We've now named a new leader of Hindawi, a talented Wiley veteran with deep expertise in the area. We've restarted the special issues program and we will be ramping it up throughout the year. We're working through the large article backlog, and we are executing our journal growth plans. Happily, we expect a very strong showing for Hindawi and Wiley overall when this year's journal impact factors are released in Q2. It will take some time to see all the benefits, but the outlook beyond this year looks very good.

I said at the top that we are now taking decisive action to unlock value by focusing Wiley, and I want to say a few words about exactly what we are focusing on. It's actually quite simple. At its core, Wiley is a knowledge company. Our core strength is in the development of new knowledge and the delivery of solutions that help the world take full advantage of that new knowledge. And this is what we will focus on going forward.

This means 3 things for Wiley. One, we will focus on Research and Publishing, where Wiley is one of the world's leading sources of new knowledge in the form of science, scholarship and thought leadership. Two, we will focus on our digital platforms and solutions, which deliver powerful capabilities that help people to use new knowledge to innovate and solve problems. And three, we will focus on critical in-demand vertical markets such as health sciences, material science, technology and business, where Wiley is a global leader. So Wiley is all about knowledge creation and knowledge application in critical vertical markets.

This is a very large opportunity that I'm talking about, and it's underpinned by strong durable market trends. Moreover, Wiley has sustainable, defensible competitive advantage that will drive consistent growth and increasing profitability. These advantages start with our branded content, most notably in the strong draw of our globally respected journal brands. Wiley's 2,000 peer-reviewed journals connect us deeply and defensively into the world's knowledge network.

Wiley's industry-leading knowledge platforms include the world's #1 research content delivery platform, which enjoys billions of user sessions a year. Other examples include our research knowledge hubs, our zyBooks courseware and our Catalyst team effectiveness platform.

Together, our content and platform businesses form a virtuous circle of knowledge creation and knowledge application. Our critical mass in key science verticals such as climate science, oncology and chemistry further accelerate our advantage. For example, as we publish more top-quality oncology research, our brands grow stronger and we attract more oncology authors and practitioners. As the volume grows, our health science offerings grow stronger.

A further network effect is created by Wiley's global roster of research academic and corporate partnerships. We've rallied this network over the past few years to create new ways to generate value from and for the research ecosystem. Wiley's market position gives us direct access to one of the more valuable audiences in the world, the global community of 15 million researchers and many millions of problem solvers that leverage their work. As a central player in the ecosystem, we provide access to this network and accelerate the work of its participants. We're moving swiftly to realize this powerful vision for Wiley, and this will result in a more focused company with unique defensible assets, sustainable untapped opportunity and significantly better financial characteristics.

We've now taken a very hard look at our portfolio and have now made some important choices about what is core to our future growth and profitability and what no longer fits with our long-term strategy. Specifically, on the left side of this page, you'll see that we will be divesting 3 substantial non-core businesses: University Services, Wiley Edge and CrossKnowledge. Going forward, these assets will be

classified as held for sale. Combined, these assets held for sale generated \$393 million or 19% of Wiley's FY '23 revenue but only 10% of our adjusted EBITDA. The collective EBITDA margin of these assets was 10.9%.

As a reminder, University Services, or OPM, helps leading universities manage their online degree programs. Wiley Edge, also known as Talent Development, works with global corporations to find, train and place hard-to-find digital talent. And CrossKnowledge provides digital professional development content platforms to major multinational corporations. These businesses have wonderful colleagues, strong client lists and good long-term potential. Nonetheless, we've determined that they are nonstrategic to Wiley's knowledge company direction and that each of them will need more attention and investment than we are able to deliver. Note that we also completed the divestiture of test prep and Advancement Courses in the fourth quarter so they are listed here as well.

Now when you peel those pieces away, you can see on the right side of the page that the assets that make up the new Wiley generated \$1.6 billion of revenue. You'll notice that focusing Wiley is greatly improving our margin profile. These assets represented 81% of our reported fiscal '23 revenue but they generated 90% of our reported EBITDA. New Wiley's EBITDA margin in fiscal '23 would have been 23.3% compared to 20.9% for Wiley before our portfolio moves, and this is before we rightsize our cost base and eliminate stranded costs. This work has begun and the benefits will begin to show up later in the year.

Going forward, Research will continue to be the primary driver of our growth, profit and cash flow. In fiscal '23, Research represented 2/3 of new Wiley's ongoing revenue and it delivered a 35% EBITDA margin. Its revenue is over 95% digital and it is largely recurring. Going forward, our current reporting lines of Research Publishing and Research Solutions will remain unchanged.

Our new Learning segment includes our gold standard education and professional content, courseware and platforms. About 1/3 of new Wiley's fiscal '23 revenue excluding the businesses held for sale was generated by these learning lines. Going forward, the 2 reporting lines for Learning will be Academic, which is Education Publishing; and Professional, which includes professional publishing and our team development or assessment business. Collectively, learning generates a strong EBITDA margin. We will begin reporting on this segment in Q1.

The new Research and Learning segments complement each other strategically and operationally. Both develop and deliver high-value content and content platforms in similar in-demand verticals, and we anticipate capturing cost and revenue synergies as we move forward. In fact, a portion of our academic titles are already authored by leading researchers from our research network.

To summarize, we are deep in implementation of a 3-part program to unlock value for our shareholders. One, we are focusing Wiley on the large sustainable opportunities in research, publishing and the delivery of knowledge solutions. In fiscal '24, we will be driving article volume, improving our publishing operations and driving scale and solutions. Two, we're divesting several assets that we've determined are noncore and that distract from our ability to win in our core focus areas. We're not able to provide a precise time line right now, but we're progressing at a promising pace. And three, we're streamlining our organization to support our new strategy and rightsizing our cost base to reflect these changes. We'll see related restructuring charges in fiscal '24.

Fiscal '24 will be a transition year as we move rapidly to implement this plan, and we will update you on our progress as we make our way through the year. I'll now turn it over to Christina to discuss more details about our fiscal year '23 performance and our outlook for '24.

**Christina M. Van Tassell**  
*Executive VP & CFO*

Thank you, Brian. Yes, we are embarking on a clear and decisive plan to simplify our portfolio. This will enable us to focus on our most competitively advantaged businesses in order to drive consistent growth while streamlining the organization, expanding profit margins and deploying our capital more efficiently. We have execution teams managing on multiple fronts and we're moving swiftly and with care. We look forward to updating you on our progress to create significant value for our shareholders.

Let's turn now to our performance. Brian walked you through our full year results. I'll talk to the fourth quarter. Revenue was down 2%, mainly due to a \$30 million hit related to Hindawi disruption. On the earnings front, adjusted EPS and adjusted EBITDA were up 32% and 23%, respectively, driven by committed restructuring savings and prudent expense management. As a reminder, the actions we took this year generated \$35 million of in-year savings, \$18 million of it in the fourth quarter alone. Our adjusted EBITDA margin for the quarter was 26% compared to 20.3% in the prior year.

Let's move now to our segments, where I'll touch on both the quarter and full year results. Research Publishing revenue declined 5% this quarter and 1% for the year. Results were impacted by the Hindawi disruption and lower article volume, as Brian discussed. Absent Hindawi, Publishing revenue for the quarter was essentially flat and up modestly for the year. As a reminder, we expect the Hindawi pause to continue to weigh on our results in fiscal '24 but largely recover in fiscal '25.

We are executing well on our strategy to convert legacy read-only subscriptions to our multiyear transformational read and publish models. We closed the year with 35 new transformational agreements for a total of 79, representing nearly 3,000 institutions. In the fourth quarter alone, we signed the University of California, Big Ten Academic Alliance and national or regional agreements in India, Turkey and Thailand.

We continue to build out our Cascade strategy of finding initially rejected articles another more appropriate home within Wiley's portfolio. Wiley doesn't publish 70% of the articles it receives mostly due to improper fit with the first submitted manuscript in the first journal to which it was submitted. We work to find a match that we can transfer these quality articles to another journal within Wiley's portfolio. And we do this using intelligent process that leverages AI-enabled document classification. One in 5 authors are now accepting our transfer offers, and we expect to make steady progress here in fiscal '24 and beyond.

Research Solutions revenue declined 2% this quarter due to market headwinds, notably lower corporate spend on marketing, advertising and career centers. This offset continued growth in platforms. We recently announced an important new partnership with the Society of Automotive Engineers, or SAE, to build and manage a career center for professionals pursuing a career involving electric and alternative fuel vehicles. The partnership will offer 128,000 professionals career advice and research tools and job matching powered by innovative AI technology. The transition to electric vehicles is a big area for research, and we're having a strong presence throughout.

For the year, Research Solutions revenue was up 7% or 1% organically due to lower corporate spending. We continue to make good progress in expanding our solutions partner network, signing 112 society and corporate partners this year for services ranging from open research consulting production to content platform and corporate education. Our upsell and cross-sell momentum also remains strong. 80% of our solutions partner now subscribe to more than 1 Wiley product or service, 5% subscribe to more than 3. This is up, respectively, from 16% and 1% in the prior year. Research Solutions is well positioned for future growth.

Adjusted EBITDA in Research this quarter rose 4% due to expense management and lower incentive compensation. Full year adjusted EBITDA declined 2%. Our full year adjusted EBITDA margin of 34.9% was in line with prior year.

Now on to Academic. Publishing revenue in the quarter was down slightly, driven by declines in print course material, offsetting modestly higher revenue in Professional Publishing. Revenue was down 7% for the year. Academic Publishing continued to be impacted by the slowdown in consumer spending and unusually sharp inventory reductions at a key online retailer, impacting both Education and Professional lines. We believe this '23 inventory correction is now behind us.

University Services revenue declined 4% in the quarter and 8% for the year, driven by ongoing enrollment headwinds and lower revenue share in our long-term renewals. Enrollment remains a challenge throughout the industry. This quarter, we added Brandeis University in Massachusetts as a new partner and did not renew 3 others due to either university or leadership changes or because we determined the potential is limited.



Adjusted EBITDA for Academic this quarter was up 30%, mainly due to restructuring savings and expense management. For the year, it was down 13%. Our fiscal '23 adjusted EBITDA margin was 21.4%, down from 22.8% in the prior year period. As discussed, we are divesting University Services and recently closing the sale of test prep and Advancement Courses for teacher credentialing. We will continue with our Publishing businesses under the Learning segment, and we see the long-term potential in our unique competitive position for in-demand categories like business and STEM, our strong brand reputation for publishing excellence and our overall margin profile.

Let's turn now to Talent. As a reminder, this reporting segment will be discontinued after this quarter with 2 of the 3 businesses now held for sale, including Talent Development and CrossKnowledge. We are retaining our Assessments line and it will fall under our Learning segment. Assessments generated \$73 million of revenue in fiscal '23 and has been a consistent performer for us. The business provides team development tools that are delivered to employees through digital platforms and an authorized distributor network of independent trainers. Companies continuously invest in team development, and our assessment group is a gold standard provider with solid growth at attractive margins.

Talent revenue for the quarter was at 12%, driven by placement growth and robust volume assessments. We added one new multinational corporate client this quarter, a large global bank for a total of 15 new clients for the year. After the quarter closed, we landed 2 large U.S.-based companies, a health care provider and a media company. For the year, talent revenue was up 24%, although we are beginning to see lower placements due to a tech hiring contraction. Adjusted EBITDA for the quarter was up 10% from higher revenue offset by inflationary pressure on placement costs. Full year adjusted EBITDA rose 18%. Our adjusted EBITDA margin was 21.1% versus 21.6% in the prior period.

Let's turn to cash flow and our continued solid financial position. Free cash flow for the year was \$173 million versus \$223 million in the prior year, with the variance driven by planned restructuring payments of \$21 million, higher interest payments of \$18 million and lower cash earnings. On capital allocation, CapEx was \$104 million, \$12 million lower than prior year, and there were no material acquisitions this year. We noted 2 small divestitures in Q4. In the near term, our priority is executing on our substantial change program, including working through the divestitures and structural improvements. During this transition period, we will be very patient and thoughtful regarding acquisitions.

We spent \$77 million on dividends and \$35 million on share repurchases this year, modestly higher than last year. We purchased 832,000 shares this year compared to 544,000 in '22. Our current dividend yield is over 3.5%. As a reminder, last June, we raised our annual dividend for the 29th consecutive year, something we're very proud of. I will provide an update on our near- and long-term capital allocation strategy when we get to October.

At year-end, we had \$107 million of cash on hand and undrawn revolving credit of \$749 million. Our total credit facility size remains at \$1.5 billion. Finally, net debt-to-EBITDA ratio was 1.5 at the end of April compared to 1.6 in the prior year. I feel very good about our financial position, and we'll continue to actively manage our debt profile.

Now on to our transition year outlook. As you can imagine, our visibility is temporarily limited as we process our substantial strategic and structural improvements. We have the divestitures, stranded costs and related corporate efficiencies to work through. That said, we feel it important to provide guidance based on what we know today. We will provide updates as we gain visibility into the full impact of our changes. This guidance will cover the new Wiley, meaning Research and our newly defined Learning segment. It excludes the businesses held for sale. Starting in Q1, these assets will be excluded from our adjusted results.

In fiscal '24, Research revenue is expected to be flat. Backing out the Hindawi special issues publishing pause, our base business is anticipated to grow 3% driven by Open Access and Solutions. We look forward to putting the special issues disruption behind us and getting back to overall Research segment growth in fiscal '25. In Learning, we expect steadier market conditions in Professional Publishing than we saw in fiscal '23, but enrollment and print demand remain constrained near term in higher education, offsetting a modest growth expectation in our Professional line. Therefore, we're anticipating a low single-digit decline for the Learning segment.

Adjusted EBITDA excluding the divestitures is anticipated to be in the range of \$305 million to \$330 million, down from \$379 million in fiscal '23. Our EBITDA margin for our go-forward businesses is projected to be 19% to 20%, down from 23.3% in fiscal '23. This is a short-term dip in this transition year. We had the revenue issues I just discussed, and our employment costs have risen significantly year-on-year due to the combination of an incentive compensation reset and wage inflation. Wiley's compensation structure heavily utilizes variable incentive awards. And since we did not meet most expectations this year, our bonus accrual was down significantly. It has been restored to target in fiscal '24, as is customary, and this is responsible for \$30 million of EBITDA impact.

Finally, we are implementing the business optimization program we told you about last quarter and expanding its scope as we look towards a smaller portfolio. The goal of the program is to drive operating efficiency and modernization while reducing corporate overhead. From this work, we estimate a run rate savings of at least \$100 million over the next 3 years. We will further detail the scale and scope of this program at our October Investor Day. I also want to emphasize that we expect to more than recover our fiscal '23 margin of 23.3% as we exit fiscal '24 and progress from there. Here, too, we will have more to share in October.

For now, we're working through a very eventful fiscal '24. On adjusted EPS, we're anticipating a range of \$2.05 to \$2.40, down from \$3.48 this year. In addition to lower projected EBITDA, we have \$0.42 of nonoperational items weighing on EPS. They include \$0.21 of tax impact related to a higher tax rate, \$0.11 of higher pension expense and \$0.10 of higher interest expense. Note that Wiley's adjusted effective tax rate is expected to rise from 17.9% this year to approximately 25% in fiscal '24. This is primarily due to a less favorable mix of earnings by country and an increase in the U.K. statutory rate. In terms of pension expense, it's important to note that our largest pension plans are in the U.K. and the U.S. and have been frozen since 2015 and are approximately 90% funded.

In terms of quarterly phasing this transition year for new Wiley, we anticipate being down on adjusted revenue and materially down on adjusted EBITDA for Q1 and Q2, largely due to the Hindawi year-over-year impact. We expect significant improvement in the second half as comparables improve and as cost savings begin to materialize. We are not providing a free cash flow outlook at this time. First, as you know, we don't provide an adjusted free cash flow metric. And second, given the uncertainty around timing as it relates to the divestitures and the amount of restructuring payments, there is no clear weighted guide that would be useful at this stage.

Before I hand it back to Brian, let me quickly summarize. We're divesting businesses that will allow us to focus on a more profitable and competitive core and drive margin expansion in fiscal '25 and '26 and beyond. We're rightsizing our cost base and freeing ourselves of the efforts and costs attached to the held-for-sale businesses, which will result in material cost savings over the multiyear period. And finally, we're driving operational excellence, speed, efficiency and cost synergies across Research and Learning.

And with that, I'll pass the call back to Brian.

**Brian A. Napack**  
*President, CEO & Director*

Thanks, Christina. Let's now talk a bit about our growth outlook. As Christina noted, we're growth constrained in fiscal '24 due to the special issue situation and the continued cyclical softness in print publishing. Despite these short-term issues, we're quite optimistic about growth as our core revenue drivers resume their more normal trajectories.

The research market remains consistently strong due to the ever-increasing global R&D spend that drives demand for Research Publishing. As such, article volumes are now resuming their normal mid-single-digit growth patterns, and as they do, Wiley will get at least our share. We will benefit from Hindawi's return to strong growth as we ramp up its publishing program.

Our growing list of solutions partners will be another source of renewed growth. We see them requiring more Wiley services as the OA transition continues, and we have a deep pipeline of upsell opportunities.

The growing Wiley network also bodes well for audience monetization. It will benefit as corporate marketing spend bounces back and as our audience monetization offerings grow.

We continue to see increased corporate spending on professional development as workforces adapt to hybrid work models and changing skill sets. We also expect our learning publishing lines to benefit from a recovery in consumer spending and enrollment after a rough 2023. In short, we feel very good about the growth profile of Wiley as we move through fiscal '24 to fiscal '25 and '26.

Before I close, I want to say just a few words about generative AI, a topic that I know is on everybody's minds. Not surprisingly, we've been keeping our eye on G-AI for a while, and in short, we believe that these technologies present far more opportunity than risk. In all of its knowledge businesses, Wiley plays at the top of the quality pyramid. The world relies on us for our topic-specific journals, titles and platforms that deliver reliable up-to-date, high-impact information. Yes, generative AI can certainly create large volumes of derivative pretty good content, but that will just make Wiley's brands more valuable and our fresh impactful content even more essential.

Moreover, we believe these technologies provide real opportunities to enhance both our competitive position and our profitability and we're working hard to enlist these powerful tools to improve content creation, our platforms and our production processes. In one case, we're starting to use G-AI to draft homework content for our courseware titles. This will significantly reduce cost in a very expensive part of the publishing process. In another area, we're using AI-based tools to screen for fraudulent GI created content. This is very timely given today's concerns about research integrity.

As with any new technology, we must be both visionary and vigilant. We must defend our IP against unauthorized use while ensuring our value proposition speaks for itself. We must also watch for potential ethical issues, such as ensuring learning equity and academic integrity. Even as we capitalize on its potential, we will closely monitor the evolution of AI and plan for its impact.

We covered a lot of ground today, so let me quickly summarize the key messages before we open it up for Q&A. We are taking significant strategic actions to sharpen Wiley's focus and unlock value. We are leaning into our core strength as a global leader in knowledge creation. In doing so, we'll focus more fully on the large opportunities in Research, Publishing and Knowledge Solutions, leveraging our sustained competitive advantages. We will now divest non-core assets in education, making it stronger, faster, more focused and more profitable.

Through fiscal '24, we will be streamlining our organization and rightsizing our cost structure to align with our more focused mandate. Fiscal '24 will be a transition year as we work through these actions and as Wiley's core revenue drivers rebound. Wiley will exit 2024 more focused and more profitable, and we expect material performance gains and margin acceleration in fiscal '25 and fiscal '26. As always, Wiley's strong balance sheet and cash flow will allow us to reinvest in the company while rewarding long-term shareholders with dividends and share repurchases.

We'll be working through the changes throughout the year and look forward to sharing updates with you as we go along the way. At our October Investor Day, we'll share more detail on our new Wiley strategy and on our multiyear business optimization program. We will also deliver 3-year financial targets. This is a big moment for Wiley, and we are very excited about what's ahead.

As always, I want to thank our colleagues for their passion and their support and for all they do to drive impact for researchers and learners worldwide. I also want to thank all of you for joining us on the next phase of Wiley's journey, which begins today. We've been at this for over 2 centuries, and our next phase looks very promising.

I will now open the floor to comments and questions.

# Question and Answer

## Operator

[Operator Instructions] Your first question is from Daniel Moore of CJS Securities.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

As you said at the outset, lots will unpack, so I've got a number of questions. We'll start with Hindawi. Just if you could give the specific revenue and EBITDA contribution or loss embedded in your fiscal '24 guide. How much of the year-over-year decline in EBITDA on an adjusted basis is Hindawi-driven?

**Christina M. Van Tassell**

*Executive VP & CFO*

Dan, it's Christina. I'll take that one. So for fiscal year '24, we were expected to decline year-on-year about \$30 million to \$35 million in revenue, which drops about \$20 million to \$25 million of EBITDA.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

The EBITDA lower \$20 million to \$25 million versus fiscal '23, correct?

**Christina M. Van Tassell**

*Executive VP & CFO*

Yes.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

Got it, very helpful. More important there, talk a little bit about the revenue opportunity and margin profile, longer term relative to your initial expectations for that business, and just help us understand your confidence why the issues experienced year-to-date won't recur.

**Brian A. Napack**

*President, CEO & Director*

Yes. It's a seminal question, Dan, and thanks for it. So our position was certainly affected last year. Our financial performance was certainly affected significantly. We unpacked -- if we unpack the issue, it's very easy to see that this is a onetime short-term issue. Bad actors got involved, it's Wiley left to the fore, and we publicly took control of the situation, teaching the industry what to do based upon it. It had a significant impact on our revenue, and we are slowly ramping up the program again to make sure that we do it prudently because at the end of the day, we are our brands. We're the Wiley brand and we're our journal brands. And we must make sure that we always do what is necessary to ensure that both the knowledge creators and the knowledge consumers have trust in those brands. So that's a little rhetoric, but it is really what we believe.

Now as we look forward, there -- our Open Access businesses are -- have been growing very quickly. They're growing very quickly now. And they are accelerating through the year. When we look into last year, we know about -- because I discussed earlier about these short-term declines we saw in article volumes that were due to the COVID thing unwinding. And as we've come out of that, what we've seen throughout the year is an acceleration in our OA output. So for example, across last year, our OA output across the company was, I think, at 6%. And it grew by the fourth quarter to 11%, and we expect it to go up from there. Our pure gold output is growing even faster. So we're seeing that acceleration. We're seeing the signs that we are on the right track. As you know, we've committed very heavily to the Open Access movement. We're leading it and we're going to benefit from it across Wiley.

Our expectation for Hindawi was a couple-fold. One, it would accelerate our position in that market, which it has; and that it would provide significant growth, which it has, and it will provide the ability to provide significant cascade across our portfolio that we could find homes for the many hundreds of thousands of articles that we get every year that are not published. Our expectations are the same going forward. We expect that over the next 12 to 18 months, we will be fully ramping back up. So by '25, we're back on course with our volume growth and it should drop to the bottom line at/or we're close to the margin -- very healthy margin that it always has in our -- across all of our Open Access, but certainly across the Hindawi asset. So the -- relative to our initial expectations, this acquisition has outperformed if you just can look aside for a minute against a very short-term thing that happened to us. But we're going to lead our way -- lead the industry out of it, and we feel very, very good about the future of our overall Open Access program.

**Christina M. Van Tassell**  
*Executive VP & CFO*

And Dan, I just want to jump back in. I just want to correct myself on the EBITDA year-on-year. It is \$25 million to \$30 million between '23 and '24.

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

And what is the EBITDA loss then implied for fiscal '24?

**Christina M. Van Tassell**  
*Executive VP & CFO*

The EBITDA loss for...

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

Not the delta, but the actual impact, the negative impact of EBITDA and the overall for Hindawi in '24?

**Christina M. Van Tassell**  
*Executive VP & CFO*

We'll get back to you on the details behind that. But for now, you could just -- you could summarize it by saying that our revenue will be down and just [indiscernible].

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

Got it. Sticking with Research, just pretty healthy growth, obviously, 3% projected ex-Hindawi. In terms of the P times Q model, is there any way as OA and mix model become a bigger piece, how to think about the relative mix of P times Q embedded in that guidance?

**Brian A. Napack**  
*President, CEO & Director*

Yes. As you know, we've been discussing for a while, as we move through these transformative agreements or transitional agreements, we stopped discussing them as individual items. I will say that OA, if you were to separate it out now, is around 33%, 34%, maybe a little bit less than that. But it's growing significantly. We made a bet on the P times Q model, that has played out. So as we've moved from more traditional subscription or remodels to the P times Q model, we've certainly seen a direct correlation and the math play out about our assumptions there. So how should we -- I'm not sure I'm 100% getting at your question, Dan, if you want to clarify if I missed something.

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

Yes. That's -- it's obviously a volume-driven model to some extent and just kind of getting a sense of pricing relative to the volume growth.

**Brian A. Napack**

*President, CEO & Director*

So relative -- yes, relative to both parts of it. So if you simplify the world into a binary between subscription and OA or P times Q, you would -- I would say a couple of things. One is, it's all driven by volume ultimately because the value of our subscription model is about the volume of product we put in there and the quality of our brands, that's sort of the equation. And the same is true on the other side, on the P times Q side. If we have the brands, we have the pricing power. If we have the brands, we get the volume. If we get the volume and we have pricing power, the future is bright. Because I will say that we -- as you would expect, we modeled this out at the beginning with multiple scenarios to see whether we could be bold enough to make the commitment we have to OA, and we have been at or above our expected case all the way through since we began this 4 years ago. So good pricing power on the side of OA. And I'll say -- yes, I'll just leave it Dan.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

Makes perfect sense. Switching gears. In terms of the divestments, I understand timing is very much out of your control, and hopefully, there'll be patience there. But are the expectations that these would be sold as a package or individually? And any way to sort of put maybe even large guardrails around what your expectations would look like from a proceeds perspective?

**Brian A. Napack**

*President, CEO & Director*

Yes. We won't be commenting on proceeds today. We're making a strategic decision here, not a financial one. And we're not -- so as we look forward, what I will say is we are proceeding as rapidly as the markets will allow, and in some cases, we're proceeding very rapidly. These are very high-quality assets with lots of potential in parts of the market that should do very well in the long run. And we, in each of them, have assets that are considered gold standard. So we expect a very healthy market for them. Having said that, it's a very odd time to be coming to market. And so we have to be patient in how we look at it. The valuations in the space are not what they once were, and we have to be reasonable in our expectation. So I don't want to set expectations too high. Having said that, to repeat what I said a minute ago, these are great assets and we expect significant interest. And in fact, we've already seen significant interest in them, not just in the past years, but actually we've got plenty of -- we've had plenty of inbound even without this call. And I expect we'll get more from here on in.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

Makes sense. The...

**Brian A. Napack**

*President, CEO & Director*

Yes, you also asked another question -- Dan, you also asked another question, which was package or individual. The answer is, if I were [indiscernible], I would say we're selling it individually, but they are fantastic assets. And for investors who understand -- deeply understand this space, they'll recognize that these are terrific assets and there could be a package sale. But I'm not going to ask to make it at this point in time.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

Sure, sure. Shifting back to the core -- or the remaining businesses, the Learning business. Academic and Professional Publishing have been under some pressure, obviously cyclical here, but some longer-term pressures on print. The shift to digital is well documented. Looking out beyond this year, is there inflection

to -- and I understand the synergies between that and the Research business, obviously. But is there an inflection to positive growth kind of over the next 1, 2, 3 years that you see? And what would drive that?

**Brian A. Napack**

*President, CEO & Director*

Yes. So specifically with regard to the last question, I don't want to set outsized expectations regarding those businesses. What I'll say is that there are significant pockets of growth within our Academic -- excuse me, within our Learning business. We've seen our platform -- our digital and platform businesses such as zyBooks grow at an extremely fast rate. The digital products do very well. And as we look to the Professional lines, the traditional publishing part of it, what we always call our trade business, tends to go up and down based upon the trends in publishing, which are consumer demand driven. But a very solid business. I don't expect lots of growth out of it for sure, but it's a very solid business. And on the Professional, on the assessment or team development business, it's a terrific business with lots of growth and great profitability characteristics.

We -- the only thing that I would say in addition about growth itself, is that print is -- has continued to be an issue. It will continue to be issue. But overall, it contributes to a very solid base that is very profitable and very compatible with the rest of the businesses. The choices we're making today are about aligning businesses where we are strong, we have proven assets and brands where we have compatibility and can drive synergies to reduce redundancy and duplication, where we can win and where they can benefit Wiley financially. So while we're not looking at that overall segment as a profound growth driver, it has very attractive financial characteristics from a profitability perspective. And so as such, with its compatibility and synergy, it fits very well with the overall portfolio. And I think you'll see increasing synergies over time.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

Indeed, no doubt. Christina, just to...

**Brian A. Napack**

*President, CEO & Director*

Dan, I also want to stress that what we saw last year was were market-related headwinds related more to consumer demand than to structural changes in the business. We've continued to see unit volumes hold up. The issue is -- has been inventory channel over time. But we saw consumer demand issues, we saw some enrollment issues. And we all know consumer demand ebbs and flows, we all know enrollment has ebbed in the last couple of years. We expected to return to growth. So some of the things, just as we talked about on the Research side, some of the things that were going on demand-wise weren't really about profound structural changes in the market. They were just about the ebbs and flows of demand.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

Understood. Christina, I just want to clarify 1 or 2 things that I heard. I think I heard 23% plus EBITDA margin kind of entering fiscal '25, expect to get back to that level on a run rate basis. Did I hear that correctly?

**Christina M. Van Tassell**

*Executive VP & CFO*

Yes. Yes, correct.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

And the \$ 100 million...

**Christina M. Van Tassell**

*Executive VP & CFO*

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As we exit '23 to '24, yes, yes.

**Brian A. Napack**  
*President, CEO & Director*

Yes, as we exit '23 and '24.

**Christina M. Van Tassell**  
*Executive VP & CFO*

'24 and '25, yes.

**Brian A. Napack**  
*President, CEO & Director*

We're going to be gaining steam...

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

'24 to '25, yes, that makes sense. And you mentioned \$100 million in cost savings over a 3-year period, I believe. Is that incremental to the 60-plus that we've been talking about? Or is that included in that?

**Christina M. Van Tassell**  
*Executive VP & CFO*

It is incremental to the 60 that we've talked about previously. And that is our best thinking as we sit today. And it's over -- we're doing our best to operationalize as much as we can. But as you know, with divestitures, you can't really predict the timing. But we are going aggressively against our infrastructure, and we're going to give you some updates as we get them next quarter and into Investor Day.

**Brian A. Napack**  
*President, CEO & Director*

Yes, Dan, we have a broad program outlined to identify the opportunities that will result from the new focusing, the alignment and the slimming down of the organization. We -- it will take us a little bit of time for us to work through it. But as we work toward our October Investor Day, we will get significant clarity on it and expect to be given much more clarity, not just on the program at the time, but on our growth and profit trajectories in the future. I misspoke a minute ago so I want to clarify it. I jumped into clarify, but I said the wrong thing. As we go through fiscal '24, we will be gaining steam as we go on our way to fiscal '25. I said '23, and that was just a miss.

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

Yes. No worries. That's great. Last one for me. I appreciate the patience. And I understand this year is a very challenging year from a cash flow perspective or at least from a clarity perspective given all the moving pieces. But just thinking about the algorithm or the core. If the new base of adjusted net income is \$130 million this year, backing into that based on your EPS guide, and hopefully growing significantly thereafter as you just described, how do we think about free cash flow conversion kind of beyond '24 and looking beyond divestments, your priorities for capital allocation? Is M&A still part of the mix? Or is it more likely to be internal investments and more aggressively returning cash to shareholders? I know there is a lot for the last question, but I appreciate it.

**Brian A. Napack**  
*President, CEO & Director*

You want to jump on...

**Christina M. Van Tassell**  
*Executive VP & CFO*



No. I'm going to turn that to you.

**Brian A. Napack**  
*President, CEO & Director*

Yes. So look, our business, as we have decided to focus and prune will, has -- and you can see it, Dan, already, with just what we've shared. Our cash flow characteristics will be increasing, not decreasing. The business that we are in are more profitable. You can see it in our EBITDA, even though we're not providing cash flow characteristics. So on a go-forward basis, our conversion should be significantly good in proportion to our -- proportional to our revenue growth as we go forward. So I feel very good about it. We will most certainly -- we most certainly be gaining steam as we go through this year and into next year.

So as we think about capital and capital allocation, our priorities are clear. We're focusing on our Research and Publishing businesses and in the Knowledge Solutions business, our platform businesses that support and extend those businesses and our market position. In addition, we're focusing on the vertical markets where we have strength, and we'll continue to invest in those. So with those as our priorities, we don't expect to be particularly active this year. In fact, we'll be extremely conscious this year from an acquisition perspective. But we will keep our eyes out and we would align our investments against those priorities as we go forward.

**Christina M. Van Tassell**  
*Executive VP & CFO*

And just to add to that, Dan, we just made some really important decisions as we talked about today. So it takes some time to work through the details and also our use of proceeds. But we are going to evaluate all our options, including what Brian just mentioned. Also, we're also keeping eye out for our debt structure in light of the macro environment, we also always look at our share repurchases, all those things. And as a reminder, about half of our cash flow is dedicated to dividends and buybacks.

**Brian A. Napack**  
*President, CEO & Director*

Great. Well, look, I want to thank you all -- are there any other questions?

**Operator**

There are no further questions at this time.

**Brian A. Napack**  
*President, CEO & Director*

Okay. With none, I want to thank everybody for joining today. It's been a big call for us. We're looking forward to the year to come as we gain more clarity and more momentum around our new strategy. I definitely want to rethank our colleagues worldwide for their continued support and passion in this journey. We are committed to unlocking the potential. And now we have a more clear, focused aligned strategy that would go forward into the future and generate -- unlock value for our shareholders and all of our stakeholders.

So thanks very much. We look forward to sharing results in Q1 and updates in September. Look forward to seeing you all at our Investor Day in October.

**Operator**

This concludes today's conference call. Thank you for your participation. You may now disconnect.

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