

Zain Akbari:

And I hope you're enjoying the 2021 Morningstar Management Behind the Moat conference. My name is Zain Akbari. I'm an equity analyst on the consumer team, and we're very happy to have CEO Brian Napack and CFO John Kritzmacher, and Brian Campbell here with us this morning from John Wiley & Sons. We have awarded Wiley a wide moat rating based on the switching costs and intangible assets inherent in its research publishing, academic and professional learning, and education services segments. Brian, John, thanks for being with us this morning.

Brian Napack:

It's a pleasure to be here. Thanks for having us.

Zain Akbari:

Well, I'll start off with some questions, but please do send in questions using the online tool as well. I'll be working those in during the last 10 to 15 minutes of the session. But to start, I thought I'd ask a few big picture questions that touch on Wiley as a whole. And then we can look at the three segments individually. So, let's start with this. Especially over the last few months, the skills gap has come into very sharp focus. As corporations have struggled to find talent that meets their needs, really at all levels of expertise, are we at an inflection point where academic institutions and corporations really start to change how they approach learning and skill development?

Brian Napack:

Yeah, that is a great question and a great way to start this conversation. Before COVID, I would have said that we were on a continuing progression to more career connected education to making sure we got people better return on investment on their education dollar, to make sure we help corporations to build the skills and talent they needed to succeed in increasingly competitive industries. So, I would have said we were on a smooth curve versus an inflection point. But I will say that in the last year and a half, two years, the COVID crisis and the resulting economic dislocations have caused this progression to become an inflection point. So, I think it's a really good point.

Brian Napack:

Employers are simply struggling to fill jobs. We are in a world where change happens faster and faster, where the evolution of strategy to meet market needs and the evolution of skills and workforces to meet to execute those strategies to meet market needs are changing faster, and faster, and faster.

Brian Napack:

And so, currently we're faced, just in the US alone, with a five million person gap between the unemployed, the open jobs and the people looking for jobs. So the answer is the pain is greater now on the employer side, which makes the pain greater on the university side because universities have been under increasing pressure for years to provide a better return on investment on an education dollar invested. And now, students and employers alike are looking at that degree and saying, "What does that give me? It doesn't give me data science. It doesn't give me analytics. It doesn't give me mobile development. It doesn't give me a bunch of skills that I need, the employer, that I need in order to execute that strategy." And so, the pain has gone from being a dull throbbing to being a real sharp knife.

Brian Napack:

So yeah, I think that that's right. And I think we're seeing that in our relationships with corporations and with universities. On the university side, we're working with them very, very closely to define the programs and even recreate the notion of what a degree program is in order to meet labor market needs, to be able to execute them faster and cheaper with the exact skills the labor market needs. And the universities that are doing that are winning, they're winning dramatically.

Brian Napack:

For example, Southern New Hampshire has gone from an also ran to a university with 175,000, roughly speaking, students. And it's done that based upon innovation around this employment model. Cheaper, faster, more career connected. And we, for example, are partnering with them on a brand new concept of an MBA, which is specifically geared towards skills defined by employers and delivered in much smaller units.

Brian Napack:

And on the corporate side, the opportunity is obvious. There are open jobs and we, with our talent development group, are literally filling those open jobs with our mthree division. Open positions can't be filled. We go into the labor market, we find the talent and we train the talent for a specific job.

Brian Napack:

So yeah, we're at an inflection point and you can see it in the market and you can see it in the growth stats that we're feeling in our business. But do I feel that this is a moment that's going to go away? No. These gaps are going to persist for years and years and years. This is just the beginning. What we did is we accelerated trends that were already in place. And so, we think we're well-positioned to take advantage of those trends.

Zain Akbari:

That's excellent. And, as corporations rethink how they go about recruiting talent and upskilling their existing personnel to meet their needs, how can Wiley use its more traditionally academic products and capabilities and relationships to help companies achieve their staffing objectives?

Brian Napack:

Absolutely. Well, Wiley is in the unique position, and it is quite a unique position, of being an educator on both sides of the labor market equation. On both the supply side, meaning the university side, and the demand side. And our, call them traditional products, we call them our education products, are equally applicable in both situations. And what we have been doing is evolving those products and services in order to be driven by the demands of the employer. In order to be driven by the needs, the specific skills needed. And so, whether we are delivering those in a traditional academic setting where it might be a piece of courseware in an accounting course to prepare an accountant to get a degree and pass an exam, or whether it's on the job in a development shop in one of the world's leading financial institutions where we're delivering the same thing we've always delivered, which is great, high quality career connected education at a cheap price. We're delivering that in the corporation.

Brian Napack:

And so, those traditional products have evolved to being digitally delivered, to being outcome-oriented, being interactive and data-driven. And all of that is being done both in the academic setting and in the

corporate setting. And again, we think we are uniquely positioned on both sides of that labor market by having many thousands of academic institutions as our clients and thousands of corporations as our clients.

Brian Napack:

And because we're on both sides, we can actually mediate the conversation between the two. We can say, okay, corporation X, Morgan Stanley, one of our big clients, you need this skills? Great. Now we're going to make sure that we are delivering, for example, through our zyBooks platform, which is growing in extremely strong double digits. This is a platform to learn software development and other digital skills. We're growing in strong double digits because we're not relying on traditional methods. Rather, we are relying on the needs of the labor market and the needs of the learner to rapidly develop skills necessary to succeed.

Zain Akbari:

Excellent, excellent. And perhaps while we're on the subject of Wiley's role and the bigger picture, ESG-related issues are obviously top of mind for many different investors. And it seems that Wiley has a big opportunity to help democratize learning and really increase access to knowledge. How do you see Wiley's role as a firm that can make learning opportunities more accessible and simultaneously fill that skills gap?

Brian Napack:

Yeah. Well, we are in a wonderful and privileged position of having the products and services that we bring to market themselves drive impact. When we help researchers to put new knowledge into the world, that drives impact. When we help a learner develop skills, it drives impact. And so, this is front and center. Our mission is nothing short of to unlock human potential. And so, we view it as absolutely central and core to what we're doing.

Brian Napack:

So, in the research business, we're driving impact by basically driving hard to open access. Meaning instead of research being behind paywalls, research is available to the public and we get paid in a different business, which is a pay to publish business model, which I'm sure we'll get to later.

Brian Napack:

But the net result of that is not just that we are growing our open access business, which is great to know, we are dramatically growing the number of articles that we're putting out there. And even more important, the consumption of that research is double digit higher, I can't remember the number. John may remember it offhand. 21, dramatic growth in consumption of the research. So, we're putting more research out there and it's getting consumed more. It means more impact, right?

Brian Napack:

And on the learning side, we are lowering the cost of our products. We're breaking them up to make them shorter to consume, to make them more bite-sized and stackable so that you can get the skills you need, allowing students who have never had access before to have access. So, in prior generations of this industry, the high price point of materials was actually an obstacle to educational outcomes because students were choosing not to buy them. Well, we have brought the prices down while bringing the

value up. Therefore, we are educating more people with our interactive, data-driven, outcome-oriented products, and we're doing so at a cheaper price.

Brian Napack:

And because of the configuration of the products, people can get more quickly to the skills that they need in order to succeed. And now that we're focused so heavily on the employer and careers, we're actually having impact by filling those jobs that we were talking about earlier. By getting people into those jobs. And what's really notable is that we have taken a diversity, equity, and inclusion approach to actually recruiting the students for those jobs.

Brian Napack:

So the cohorts in our training, in our talent development training, are disproportionately high in populations who never would have had access to those opportunities before. Women in technology, people of color, populations that have systematically been excluded from opportunity. We are actively at Wiley targeting them and including them. And the data shows that they're getting into those jobs and they're succeeding and sticking in those jobs because these artificial branded barriers that prevented those people from getting that education before, whether it be price, or they couldn't get into the right school, or they didn't know the right people, now we're going into the labor market and finding them and connecting them directly to employers.

Brian Napack:

And by the way, there's no cost associated with that education because the burden is borne by the employer.

Zain Akbari:

I see, I see. And you actually touched on open access. That provides a nice segue into your research publishing business, which is about half of revenue. Open access seems to have gone from a real potential threat to an actual real opportunity over the past several years. Where do you see the long-term for open access versus more traditional publishing models?

Brian Napack:

Yeah, we're very enthusiastic about open access because we've taken an industry that was struggling to derive value from an increasing investment through a subscription model, with price sensitivity, with significant price sensitivity, to a model where we are unlocking our potential by moving into a business model where it's quantity of articles published times the price of the articles published. And that allows for a mathematical relationship leading to revenue growth. So we're in an industry where, underlying it all, we have significant investment growth, investment in research, which leads to an investment in scientific output, papers, articles, discoveries, and that we can now have a linear relationship between those papers and our growth is very satisfying. So we love that, we love that model.

Brian Napack:

But having said that, it's not going to be the only model. There are disciplines that are not well-funded where subscriptions will be the only way to support it. And certain parts of the world will prefer it, certain institutions will prefer it. It's fine. We believe we're going to be in a mixed model for awhile. We

love our subscription business, it's very consistent. It provides an extremely high value for the clients that we work with.

Brian Napack:

So, we believe we're going to be in a blended world, but the growth is going to come from open access. And last year, our open access revenue grew by 56%. And that's on the back of unprecedented high levels of publishing. Again, the linear relationship. Publish more, do better. Because we have the brands that people want, and that's the benefit of being one of the world's largest and highest quality publishers with the greatest impact factors on our journals, which is the way you measure the quality of a journal. The benefit is that, in the world we're in, that's where people want to publish. So they're always going to want to come to us to endorse their research and to promote it to the world. And again, talk about impact. That's what it's about, taking the discoveries of people and bringing them out to the world for the broadest possible usage.

Zain Akbari:

See, that definitely makes sense. To what extent would you say the corporate world is an audience for your journal library and how far along are you in really realizing the potential of that side of the business in terms of making research insights accessible to the corporate community?

Brian Napack:

Yeah. The corporate world has always been a big, big market for Wiley, both on the education side and on the research side and they will increasingly be so. Corporations need new discoveries, scientific research, in order to fuel innovation, product development, and their growth, the execution of their strategies. And so, we are working hard to make sure that they have access to it.

Brian Napack:

Now it's not the same sort of access because a healthcare company, which is a big client group of ours, is not interested in a bunch of social science research or a bunch of physics research, per se. They're interested in health care research. So we tend to tailor it more in those cases. And in many cases it's a pay-per-use use, so they're big markets. In addition, these markets... So, in answer to your question, we are increasingly productizing for our corporate audiences, and you'll see that increasingly in Wiley, you'll see that our corporate revenue is growing very nicely, very nicely.

Brian Napack:

Last year, it was up 37%. And when I say last year, the year ending in May. And we're seeing that growth continue. One of the really nice aspects of it is, as we like to say, our audience on the research side are the smartest people in the world. And that makes them a very, very valuable audience. So we have a very nice business in connecting companies to those audiences. And, in many cases, that's advertising but we have much more targeted ways of doing that as well. So, the corporate market is an important market for us. We have very strong growth coming out of it and we consider that that will continue in the future as we add value-added services for that audience.

Zain Akbari:

I see, that certainly makes sense. And maybe taking that as an opportunity to segue into the other aspect of your business, on the education and learning side. Over the last few years, and particularly

over the last 18 months or so, how have students and instructor expectations changed for what course content should be able to do?

Brian Napack:

Yeah, it's a great question. The change, again, similar to what I said, generally speaking, about the inflection point earlier, there has been a continuing progression over time toward digital content tools used in the classroom and associated with teaching and learning. That's been a continual progression. COVID, of course, forced everybody into a situation where they had to, overnight, go digital. Everyone was a hundred percent digital in large parts of the world, certainly in the United States and across Europe. And that basically forced them to use a bunch of tools that they had never used before, that many of them had never used. Some had been leading adopters, some were somewhere along the progression, but everybody had to use them. And so, what we saw is, again, a dramatic acceleration of this shift.

Brian Napack:

And so, in the old days, content was content. It was words on a page. Then those words became words on a digital screen, and the behaviors of teachers and students continued along that pattern. But that has changed dramatically over the last few years. And so, what we've seen increasingly is that the content is important, but the content is increasingly interactive. The content is participatory. The content includes homework system and testing and assessment systems. The content includes interactions between students and between students and teachers.

Brian Napack:

Teachers can now find out what students know before they walk into class so they can teach to the things that the students don't know. This is commonly known as the flipped classroom. And this is resulting in dramatic acceleration in the learning of students. Also, dramatic engagement of the students. They like being involved in these. So they're learning more, they're more engaged.

Brian Napack:

And so what we see is, in places where we have significant adoption of these more robust pieces of courseware, complete with all of these tools, where they're using them, we see dramatically higher engagement of students. We see dramatically higher completion rates, and we see dramatically higher outcomes, which is what everybody's looking for. So, the definition of content has changed dramatically. We're proud to be a creative content because branded IP is a great business to be in.

Brian Napack:

And that definition has changed over time. And the nice thing about it is, now we have the defense of having high quality, gold standard content, which is fantastic. But now that content includes homework systems and personal interactions, so that neither the student nor the teacher can be without it. You can't get your grade without a homework system. And the teacher can't help you to learn better without seeing the data, so it's a personalized experience. It's not something that can be PDFed and downloaded to a bunch of students. So, it's also a much more defensible business in that way.

Zain Akbari:

I see. I see. And you touched earlier on the tension between price and sell-through and how the model has shifted from what textbooks were, which was more of a high price but transactional type model, perhaps, and a lower cost digital material, which allows that greater sell-through and that more continued engagement, even with the instructors. As students have returned to classrooms, at least to some extent, and hybrid learning becomes more of a factor, is the dynamics still playing out as even expected?

Brian Napack:

Well, it's too early to tell. We're at a point in the semester where the data's still coming in as to how people are. Certainly, what we have in academia now is we have the bulk of schools opening up with some form of in-person. We find that in-person now almost always includes some form of hybrid and digital learning. But the classroom is generally open, all be it, of course, with some significant safety rules and so forth, because we're certainly not out of the woods yet here. And so, we're looking at the data. What we believe is that this idea, the relationship between price and volume is an extremely strong relationship and we have taken a posture, for business reasons and for social reasons, that lower cost is better. And over the last couple of years, we have lowered our prices significantly, and we have grown the businesses, right?

Brian Napack:

By definition, that means that the growth of units has allowed us to outpace the loss of theoretic revenue from price with volume. So that, we don't see that changing, we see that continuing. In terms of the behaviors of are students going to be more into the traditional products or the digital products? We're beyond question there. The digital products have gone well past the tipping point. And there are certainly still places where the simple book is the unit of measure, but that's less and less.

Brian Napack:

And certainly less and less than in areas where we play, which tend to be the quantitative disciplines, the disciplines with specific skills that must be learned. You know, it's one thing if you're learning the classics. You got to read the books and then talk about the books, but in disciplines where Wiley plays, disciplines like business and technology, the notion of reading a book is actually not even a relevant notion anymore. It's about case studies. It's about programmers getting their hands on and starting to program on day one of a class, and then figuring out what they need to learn and then feeding content.

Brian Napack:

Those fastest growing parts of our business, of our courseware business, really have no authored content in it. It's content that is delivered in order to meet the needs of a specific problem that a student faces at a specific time. So yeah, we don't know what the data's going to show about adoption and sell-through and so forth this year, we're just learning that. And we'll be happy to talk about that in the quarters to come, but these long-term trends, which is what Wiley always focuses on, are not only continuing, but have accelerated in a way that we're pretty pleased about.

Zain Akbari:

Excellent, excellent. And, perhaps sticking with the pandemic but moving to your education services segment, which has a lot of your growth engines on the learning side. I think the crisis has highlighted the difference between a very ad hoc approach to digital learning, which we saw so many institutions effectively forced to adopt last year, and a professionally managed online degree program, as Wiley has

long offered. How has that dynamic been unfolding, particularly as it relates to your new partnership discussions?

Brian Napack:

Yeah. Well, schools learned the hard way that this stuff is not that easy to do, particularly in an online setting. The idea of designing a program, designing a class or a course for a hybrid or online audience is not that easy. It's a different user experience. Attracting the right students for that program is a different beast. And ultimately, you spend a lot of money getting the student in the door, you need that student to stick. So, managing the student journey to success is a complex thing.

Brian Napack:

Your question indicates, sort of implies, and I believe rightly so, that schools sort of had to oversimplify the situation and they were caught unaware. And so, we have spent a lot of time, and with our existing partners, helping them to rapidly scale their hybrid and online offerings, and that trend continues. We signed a lot of partners last year. We continue to have a very, very healthy and robust pipeline for new partners.

Brian Napack:

We, as you know, are very selective about the partners we get into business with for the long run, where we're investing a lot of capital in their success. But we also have a very, very healthy fee-for-service business that helps large clients, large university clients, adapt to these changes. And we're seeing a tremendous amount of interest. We view this moment as an endorsement of what we do.

Brian Napack:

What we do as a university service provider will continue to change, and it will continue to evolve, and it's going to evolve in new and different ways. Today, it's about figuring out how to get them online, but the more important conversation is the conversation we were talking about earlier. The question is how do you get a university to deliver a product that has a value proposition that the labor market cares about? That a student is willing to go into debt to provide? Maybe that degree needs to be broken into smaller pieces, as I talked about with our Southern New Hampshire partnership earlier. Maybe the degree needs to be shortened. But more importantly, all degrees and all certification... Maybe it needs to be a certification, not a degree. But all degrees and certifications, for them to mean anything, are going to have to embed the skills necessary to get a job. And that requires the partnership with the corporation.

Brian Napack:

And so, as we go forward, you're going to see our university services business evolve. But well past this moment of inflection, this moment of trauma, toward a mediator, basically, between academia and the corporate world. And that's an exciting place to be because the corporate world is changing so fast, academia needs partners like us to help them figure out how to put out the product, meaning the potential employees, with the appropriate credentials necessary and appropriate skills necessary to succeed. Again, I keep bringing it back to our corporate clients because our corporate clients and our corporate partners are the consumer of the product that these universities put out. So, we increasingly view the corporation as the north star for a successful education business.

Zain Akbari:

I see, that definitely makes sense. And one area where you're very directly working with corporate community is mthree, your talent development business. You've made a decision early on in the pandemic to effectively stockpile some talent, and that seems to be paying off. How has demand for what is now known as your talent development services business evolved amid the current environment?

Brian Napack:

Well, it's evolved in a number of ways. You're right. We knew we had a tiger by the tail with this offering. It is the definition of what we call the bridge. You know, we talk about helping students in a university setting to acquire the skills that they need that'll be embedded in their degree. And maybe that degree will be worth something in the labor market, but it's a big investment for a student to make in an education, not knowing what they're going to get.

Brian Napack:

With mthree, we're literally taking orders for employees from corporations. We're literally walking into the labor market and saying, "Who wants an entry level job at Bank of America?" The question is who wouldn't want an entry level job at Bank of America? And we're providing that access to people who never would have seen that job before.

Brian Napack:

And so, one thing that is... So this model represents a beautiful instantiation of where the education business is going in the long run. The demand for it has spiked for the very reasons that we've talked about. We have a dramatic set of changes going on in the economy, and they are moving toward digital, and software development, and digital skills, new economy skills, critical thinking skills, and all the things that are necessary. These things are becoming more and more important, yet corporations are finding them harder and harder to define. And the pandemic just exacerbated that, which is why we have this big gap that we have.

Brian Napack:

So, talking about our demand, one thing is demand is fine. The leading corporations of the world need talent. We got the talent, we're helping them to fill those seats. But interestingly, this moment in time has also changed demand in a couple of other ways. It's not just finding the employee. It's not even finding the employee and training the employee to succeed in a particular company, it's also about retaining that employee. And it's about upskilling that employee and increasingly, corporations are realizing this.

Brian Napack:

You see this in our recent partnership with Amazon Canada, where we are providing education to warehouse workers in software development. Why does a warehouse worker need a software development degree? Well, they don't need a software development degree or a software development credential in order to succeed in that warehouse. They need it for the rest of their life because they want to get a better job. And Amazon is being incredibly foresightful in saying, "In order to attract and retain talent, I'm going to have to provide benefits to that talent that helps them succeed in their career progression." You just keep hearing this career progression, the career connection, from us because it's what we're all about.

Brian Napack:

So, education is being used as a retention tool across the corporate world, and at a higher level than it's ever been used before. We have partnerships with state workforce agencies through our Wiley Beyond offering. We have a lot of these things going on that are very foresightful.

Brian Napack:

And then, the next way that it's evolving is not just retention, but upskilling to succeed in the job as the job changes. And so, with some of our largest global clients, we are now moving from just placing original talent into a job to re-skilling large populations inside those companies. So we are landing by filling their immediate pain point, fill a seat. And then we are helping them evolve their larger population, because perhaps they have a group of skills that are now obsolete. We're now helping them to develop the skills they need in order to succeed from one area of technology to another.

Brian Napack:

And so, we're seeing corporations start to use education, with our partnership as a service provider... We look at ourselves as a partner in delivering education as a managed service. So they're with us, we are looking at education as a way to meet their strategic goals. And this really is a tectonic shift for companies. I'm not suggesting that every company in the world is there yet, but we are seeing the leading corporations in the world looking at the labor, looking at their workforce and saying to themselves, "What am I going to need in three years, five years, 10 years?" And Wiley intends to be the partner that helps them build that talent in order to succeed.

Zain Akbari:

I see, I see. And you touched on some businesses that were enabled by some recent M&A as well over the years. And you've done, historically, a wonderful job in terms of integrating new acquisitions. What are you seeing currently from an M&A standpoint? Are there still opportunities to add to Wiley's capabilities and accelerate growth, or our valuations and availability standing in the way, as... Well, frankly, they probably always do to some degree.

Brian Napack:

Yeah. There's no question that valuations in the market are extremely high. There is a lot of capital out there chasing not that many great assets and the prices keep going up. And so, we're forced to compete with that. At a foundational level, Wiley has a very, very strong balance sheet with a very low leverage ratio and very good cashflow. We view that as one of our core strategic assets. We have always, and I imagine we will for the foreseeable future.

Brian Napack:

We are not intending to leverage up, by any sense, but we have such a strong balance sheet that we are going to continue to use it as we have in order to pursue our strategic objectives, whether that be in research, where our portfolio of brands is critical. We're always looking to add to that and to continue our leadership in society partnerships in order to build that IP moat that you guys emphasize. But also, to build out our partner solutions.

Brian Napack:

We are the leading partner to the world's leading academic societies and to the world's academic publishers, helping them to succeed, their research publishers. And we will continue to offer them products and services because we, as one of the largest and leading publishers in the world, we have made it across the open access gap and now we're looking back to our partners and saying, "You can't afford to invest in all of this. Here, use ours. We're going to bring you across." So, we're helping the partners, our partners, our societies and our publishing partners, to move into the open-access future. So, that's our focus on the research side.

Brian Napack:

In education, it won't surprise you that we are looking to expand our position in career connected education. And so whether that is instantiated in examples like zyBooks, which is on our publishing side, where... Well, zyBooks focuses on software development, the world needs software developer... Well, we're always looking for an advantage and an edge there, and to build our scale and our technologies and our capabilities.

Brian Napack:

Or, if it's on the side of our services business and our talent development business, where we can gain scale with clients, add new verticals, add new disciplines. We've got a model, through our education products, our academic products, through our university services, and through our corporate services, we've got a model to deliver education that bridges the gap. And we will continue to look for content and technologies that advance that.

Zain Akbari:

Excellent, excellent. Then one last question from me before we throw it up into questions from our viewers. What else should long-term investors be thinking about when they think about Wiley? What else should they be considering?

Brian Napack:

Well look, Wiley is in it for the long-term. We have a very bold and important mission of unlocking human potential through research and through education. And in the long-term, you're going to see this ship continue to sail rapidly in the direction we're sailing. We're not going to make a lot of lefts or rights. Why? Because underlying our market, underlying our business are two of the greatest markets the world has ever known. The education market, the world spends more money on education every year than it did the year before, and research and discovery. And the world spends more on that every year than they did before.

Brian Napack:

So those two markets, which I always call the twin engines of human advancement, education and research, will continue to be. And Wiley is extremely well-positioned in the research market as a leader in both publishing and in partner solutions to be the company that helps the ecosystem work, not just that publishes in it, but that helps the ecosystem work. We will continue to do that.

Brian Napack:

And we are truly a leader in it, right? We literally touch half of the world's English language research with our platforms at this point in time. And we at Wiley, doesn't have half the world's market share. So

we will continue to follow that strategy. It's been very consistent over time, and we're going to continue to accelerate it. And our strategy on the education side continues to be consistent around these trends that we've spoken a lot about.

Brian Napack:

You will continue to find us pursuing education that advances careers towards specific opportunities in the education market. And that's what you should expect for us. You're not going to expect much different. We're going to continue to invest in this business. And at the end of the day, I was always taught, as a young executive, that find a place where the tide is rising and do your goddamn best to execute in that and to swim. And we have a rising tide in our markets, and we are swimming pretty well right now, and you can see it in our numbers.

Brian Napack:

So, I think that's what you should expect from us. I will say one other thing, which is implied here, and that is that Wiley will have impact. We always have and we always will. Yes, we will have impact internally by focusing on our environmental impact, by focusing on, and we are doing this very significantly, by focusing on our social impact, by focusing on our governance to make sure we are a high quality company. But the real impact of Wiley, as we started this conversation with, is different than many companies, which is what we do is fundamentally social good. So you will continue to see Wiley try to unlock human potential by pursuing the social good of research and of education.

Zain Akbari:

I see, I see. That's an excellent way to sum it up. Chris, anything from our viewers and listeners?

Chris:

Yes, we have a few questions. The first one, as you gain more experience with talent development services in an at least somewhat more normalized environment, how do you view the opportunity to take that business model into new sectors?

Brian Napack:

Yeah, it's a very exciting question. There is nothing unique about the tech skills and digital skills segment that we are in. So, there are two ways to answer the question. One is industry sector. So, we are absolutely a leader, I think the leader, in this idea of creating talent for jobs in the tech sector. And we started out by being the leader in financial services. We're now going to move from, we have been moving from that sector to other sectors, where everybody's got the need for the tech talent. There's nothing unique about financial services. We're going to continue to do that. We got a machine that's working and we've now... Just recently, we signed a big industrial global industrial company. We signed a big global retailer. So, we just keep knocking down those logos, as it were.

Brian Napack:

And once we're in there, we're looking to broaden, from a skill perspective, out from there. So, the answer is we have a vertical and a horizontal way to grow, and we are pursuing both of those. So, it's an excellent question and the evidence supports both the vertical and the horizontal, and we're seeing very good results in both directions.

Chris:

Okay, thank you. We have another question. You've talked about the volume of articles you see that are high quality, but not quite right for your journals, so they get rejected. You've also mentioned a desire to find a way to publish that research so that it is still high quality and monetizable. How have these efforts been received by the authors you work with?

Brian Napack:

Well, I would say terrifically. Our authors, we do a lot of research. We spend a lot of time with the customer and we track them throughout the process. We have, over the last few years, invested heavily in what we call the cascade. And as a large publisher with lots of partners who can benefit from this cascade as well, we are among the very few who could execute this at a high level. An article comes into one of our apex journals. This is one of our highest quality journals, like the one sitting right here, Advanced Materials. It gets more content than it could ever possibly publish. And the notion of the cascade is if it's rejected there, we need to find another home for it. That's our commitment. And we have been doing it.

Brian Napack:

So, our referrals inside of the company are up, this time this year versus this time last year, by 60%. So in other words, we're transferring 60% more articles than we did just a year ago. Now, how does that happen? It happens by two ways. It happens the old fashioned way, and it happens the new, exciting, faster, better way. The old fashioned way, because we have a place called the transfer desk. Something gets rejected, people look at it, they go "Oh, here. It could go here. It could go there. It could go here." And we're doing more and more of that. But increasingly, through our absolutely industry-leading platforms, we're using AI and machine learning to evaluate these papers and rapidly put them in front of editors at different journals where they can succeed.

Brian Napack:

So you asked a question about how are authors receiving it? Well, what authors want... it takes an awful long time to submit an article. There are a lot of forms you have to fill out. There's a lot of back and forth to make sure the article is appropriate. And finally, you get your article in there. And as a researcher, what you want, number one, is you want the article published in the best possible journal. And number two, you want it out there fast because your career depends on you publishing. It depends on it. You can't move forward in your academic career without publishing, and the better the journal, the faster your career moves. So, if I tell you that I can take 90 days out of the process, or 180 days, you're going to do it. And so, the authors are over the moon about this. The authors are... The researchers slash authors are very, very pleased about it.

Brian Napack:

And we're only putting these articles in front of journals where they're appropriate. So, it's not as if we're going to publish an articles in Advanced Materials in Sports Illustrated. And so, what we do have is a broad portfolio inside of Wiley of close to 2,000 journals. And the Hindawi acquisition enhanced the bottom of the pyramid. Now, Hindawi has some very good journals, but it fills up, generally, mid to the bottom part of the pyramid. So there is almost no article that doesn't have someplace to be published inside of Wiley.

Brian Napack:

And so, you're going to continue to see this proportion of articles growing, and I think that's just a key factor for us, the proportion of articles that we receive that are published. Currently, it's about 25 or 30%. We increase that by another three, four, 5% that provides a level of endemic, underlying growth that we don't have to go out and buy. We don't have to market. We don't have to do anything, we just have to find that home. But the good news is that's not just a self-serving thing. In answer to your specific question, this is what the market wants.

Chris:

Okay, thank you. I think we have time for one more. You've basically changed your course material customer from students, as in the case with textbooks, to an instructor or academic institution, as is often the case with digital courseware. How has this shift created opportunities to cross-sell things like your courseware offerings and your classroom management tools to offer academic institutions, instructors, more comprehensive offering?

Brian Napack:

Yeah, it's a very sophisticated and smart question. I would say students are always our customers. They have been, they will be. And professors have always been our customers because they've always been the gatekeeper for the student purchase. Increasingly, the institution is a customer as well. And you know, our whole university services businesses and institution-level conversation. The broader our offering, the more powerful it is, the more career connected it is, the more we are helping universities and professors figure out the new world, the more the opportunity for our 10,000 relationships with leading institutions around the world to come to be monetized.

Brian Napack:

So, we're currently doing it at all levels of this, but I think you're right that, increasingly, we're going to see institution-level participation in this. Evidence of that is, again, I'll use the same example because it's a nice one, the Southern New Hampshire. We're talking about one of the largest universities in the world now, and we're partnering with them to define programs where we're delivering content to those institutions.

Brian Napack:

And in that case, it's so large that the professor doesn't even really have a say. There are academic committees that have a say, but no individual professor has a singular voice. So, those institutional-level relationships that Wiley has, that it has nurtured over the years, and that where the Wiley brand means something, allows us to solve higher order problems for the university.

Brian Napack:

Our relationships with the professors allows us to solve higher level problems. I'll give you an example. We're currently working on a new product that allows professors to ensure that students aren't cheating on their homework. This is a big problem. Students are cheating on their homework. They basically have homework, and homework is a part of the grade, and how can you learn if, basically, what you're doing is saying question one, B, question two, C, question D, and you're just... That's not a learning, that's cheating.

Brian Napack:

And so, professors are increasingly frustrated with this. And by the way, they were frustrated with us for letting it happen. We had no way to stop it because there are services out there that basically provide students with these answers. But now, we're working on an AI-driven solution that is built on one of the platforms that we already have in order to stop that. We can only do that if we're partnering with professors, partnering with departments, and partnering with universities, because in this case, the student wants the quickest way to a grade, unfortunately.

Brian Napack:

So yeah, I think the idea of us partnering at multiple levels of the value chain with a student, with a professor, with a department, with a university, again, that's what a company like Wiley, with our legacy, with our skills in everything from academic design to technology to services, we can do those things that many others cannot do.

Chris:

Okay. Thank you for that. Those are all the questions, Zain. I think we're out of time. I'll head over to you for closing comments.

Zain Akbari:

That sounds good. Thanks, Chris. And this does conclude our session with Wiley this morning. Brian, John, Brian, thank you again for spending some time with us here at the Morningstar Management Behind the Moat conference. Thanks, of course, to our clients for taking part. And I hope you enjoy the next sessions, which of course start at the top of the hour. Thank you, everybody.

Brian Napack:

Thanks very, very much.