

**S&P Global**

Market Intelligence

# **John Wiley & Sons, Inc.**

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## *Earnings Call*

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# Call Participants

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**Matthew S. Kissner**

*President, CEO & Employee  
Director*

## ANALYSTS

**Daniel Joseph Moore**

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# Presentation

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## Operator

Good morning, and welcome to Wiley's Fourth Quarter and Fiscal 2025 Earnings Call. As a reminder, this conference is being recorded. [Operator Instructions] 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 all for joining us. On the call with me are Matt Kissner, Wiley's President and CEO; Christopher Caridi, Interim CFO; and James Flynn, Executive Vice President and General Manager of Research and Learning.

Note that our comments and responses 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.

Also, Wiley provides non-GAAP measures as a supplement to evaluate underlying operating profitability and performance trends. These measures do not have standardized meanings prescribed 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 divested assets and 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 website at [investors.wiley.com](https://investors.wiley.com). I'll now turn the call over to Matt Kissner.

## Matthew S. Kissner

*President, CEO & Employee Director*

Thank you, Brian, and good morning, everyone. Welcome to our fourth quarter and full year earnings review. 18 months ago, we set out on a multiyear journey to become a stronger and more profitable Wiley to move decisively on our cost structure and unlock growth in our core businesses. Today, I'm pleased to report another year of meaningful progress.

We've met or exceeded our financial commitments, drove growth in our core while delivering material margin expansion and capitalized on emerging market opportunities in the corporate sector through AI licensing, data analytics and knowledge services.

It's really quite a story, one of America's great legacy companies now standing at the forefront of scientific advancement and responsible AI development. Wiley began in 1807 as a print shop in Lower Manhattan. Today, we're a global company supporting the development of the European Space Agency's AI model for Earth observation.

We're partnering with the American Cancer Society to disseminate cancer breakthroughs, multinational pharma companies to revolutionize drug discovery and the world's largest tech companies to help train and develop AI models and interfaces. All to say, we have commenced another exciting chapter in our 218-year history.

What makes Wiley compelling over the long term? Market demand has remained consistent over time as it correlates with ever-increasing global R&D spend. At the same time, publishing remains essential for career enablement and acclaim. Wiley is recognized as a wide moat business with a leading market position and must-have content and brands.

We deliver resilient compounding growth in global markets that have remained stable through economic downturns. Around half of our revenue is recurring and over 80% is from digital products and services. We are an AI beneficiary with content that is well suited for both training and inference. This gives us

an expanding avenue into the massive corporate market. And finally, our financial characteristics remain strong with healthy margins and cash generation, low leverage and ample liquidity.

Let's recap the main headlines for fiscal '25. We delivered revenue growth and margin improvement in both segments. We drove steady growth in our recurring revenue models and strong growth in Open Access driven by the global demand to publish. We secured a third major customer for LLM model training and see demand accelerating for vertical-specific subscription models.

We delivered total AI licensing revenue of \$40 million this year. We drove a 300 basis point improvement in our adjusted operating margin and a 120 basis point improvement in our adjusted EBITDA margin. Margin expansion remains a multiyear strategic focus for us. Free cash flow was up 10% to \$126 million, and we've reaffirmed our \$200 million target for fiscal '26.

In addition to allocating capital to high-return growth opportunities, we increased share repurchases by 34% to \$60 million and are currently paying a 3.5% dividend. Finally, after the year closed, we secured cash proceeds of \$120 million related to our University Services divestiture, which will be used to further reduce debt and interest expense.

Chris will walk through our numbers in more detail, but I want to quickly showcase our performance this year. We delivered meaningful growth across all key metrics, and we expect to do the same in fiscal '26. It's a simple refrain, do what you say. As with last year, we made several commitments for you to hold us to. The first was to meet our stated financial goals, and we did that. For the second year in a row, we exceeded our EPS guidance range. We finished at the top end for EBITDA margin, achieved our revenue and cash flow and reaffirmed or lifted our fiscal '26 targets, which we first set down in January of 2024.

The second goal was to expand our margins and cash flow. As noted, the team continues to execute and deliver on this overarching objective. Third was to drive recovery and growth in research, and we accomplished that across all key areas, including publishing, licensing and solutions. For example, we achieved a 19% submissions growth rate and 8% output growth in fiscal '25. Research also delivered margin growth this year.

Finally, we made a commitment to move decisively on AI opportunities. It's been a remarkable year of progress in this area as the market continues to rapidly evolve. A year ago, we were trying to understand the opportunity. Today, we count some of the largest companies in the world as AI customers and are partnering on an array of use cases and applications.

Let me briefly recap the year in Research. Our recurring revenue model saw solid growth driven by increased output and the enduring strength of our brands. Remember that much of our volume growth goes to supporting and increasing the value of our multiyear agreements.

We had a very good renewal season across all regions, which gives us visibility through calendar year '25. As a reminder, around 2/3 of research revenue is recurring. Open Access continues to see double-digit growth. Our Advanced Journal franchise continues to be especially noteworthy. We made a concerted effort to invest in its expansion and it's paying off, particularly for our multidisciplinary Open Access-only journal, Advanced Science. Its growth has been spectacular, driven by a rising impact factor and broad and expanding readership.

We continue to see strong demand to publish across key markets. As a reminder, Wiley Research is geographically very well distributed and powered by many different funding sources. Submissions were up in both emerging and well-established markets with strong double-digit growth in India and China, double-digit growth in the U.K., France, Italy, Brazil and Canada and high single-digit growth in Japan and the U.S.

High-growth markets continue to show strong momentum. This year, we executed landmark multiyear agreements in India and Brazil that expand access to thousands of institutions and millions of researchers. Both of these countrywide agreements serve strategic purposes that go beyond near-term financial benefits. They stand to increase the global supply of quality research.

China continues to be a very strong growth market for us and the #1 source of published research worldwide. Investment in R&D, innovation and publishing is a way for countries to compete and rise in the global economy, and these national governments continue to ramp up their efforts.

As noted, we're excited by all the work we're doing in the corporate R&D and AI space. I'll talk more about this in a bit. And finally, Wiley has become a thought leader in everything from responsible AI development and research integrity to accessibility in underserved regions.

On the topic of responsible AI, we recently released new author guidelines on how to utilize AI tools in manuscript development while preserving authentic voice and safeguarding intellectual property. Wiley also announced the release of explanations, a landmark study of 5,000 researchers that explores AI use and applications across the research process.

We've become a primary voice on research integrity and now sponsor a PhD position at Leiden University to study research fraud and produce insights for the research community. On accessibility, we launched a pilot program that supports authors across 33 countries in Latin America to publish research in Wiley's Gold Open Access portfolio.

Discounts are applied in direct relationship to the purchasing power of each participating country. It's all designed to cultivate the research community in underserved areas and bring new cutting-edge research into the global community.

Let's shift to learning, where we delivered another year of revenue and margin growth. AI licensing generated \$29 million in learning revenue compared to \$23 million in the prior year, driven by demand for academic and professional backlisted content.

Our inclusive access model where the cost of digital course content is added to the students' tuition and fees and our STEM courseware product remain growth engines. In professional and reference, book title signings were up 16% in areas like business, leadership and nursing, which will drive financial benefit in fiscal '26 and beyond.

We renewed our prestigious book publishing partnership with the IEEE, the world's largest technical society. Finally, assessments benefited from strong pricing power in a soft market environment. The team has recently launched our Worksmart tool that combines personality models with training sessions on employee engagement and team development.

Both research and learning demonstrated organic growth and margin improvement even as we continue to invest in high-return initiatives. Chris will walk through our financial performance in more detail. We are proud of our multiyear journey, and we're working toward accelerating our progress.

I stepped into the role in October of 2023, and I found an exceptionally talented and connected group of colleagues that were eager to put the past behind them. Collectively, we set out to simplify our goals and weld them to financial outcomes. Our aim was to act decisively, get leaner and strategically reallocate resources to where we have a unique right to win. 1.5 years later, our work is paying off, both in our financial performance and our employee engagement scores.

We met or exceeded guidance in both fiscal '24 and '25. We raised our fiscal '26 adjusted EBITDA margin target range by 150 basis points and reaffirmed our free cash flow target of \$200 million, up from \$114 million in fiscal 2024. We've since recorded over \$60 million in AI licensing revenue and executed multiple vertical-specific projects with corporate partners.

We completed all divestitures and recently secured cash proceeds for University Services. We drove significant cost savings with additional opportunities identified. In fact, we returned a combined \$259 million in dividends and share repurchases in fiscal '24 and '25.

And finally, we saw a marked elevation in employee engagement and satisfaction scores. Hats off to the people that continue to make it all happen, our global colleagues, we are not slowing down. One of the more interesting developments over the past year is the acceleration of the corporate opportunity.

Corporate makes up about 10% of our revenue base, notably journal subscriptions, databases and services.

Over time, we expect this to materially expand as we extend further into the corporate R&D value chain. The big trend, of course, is AI. AI revenue totaled about \$40 million for the year. During the quarter, we executed an \$18 million licensing agreement with a new multinational tech customer for our learning content with \$9 million realized in this most recent quarter and \$9 million expected in Q1. That said, the training market is rapidly evolving from a few substantial pretraining engagements to a broader array of smaller fine-tuning projects where AI developers require more specialized content.

We also saw a second half acceleration in the broader vertical-specific market. R&D-intensive corporations are increasingly using AI-powered content and tools to speed up product development, identify breakthroughs and reduce cycle times. This is where Wiley comes in. Our expansive content and data catalogs can be embedded into vertical-specific AI models and applications in technology, health care, information services, industrials and others to improve efficacy and impact.

In addition, we are partnering with AI developers to advance the researcher and learner experience. In the past few months, we've executed partnerships with Amazon Web Services on scientific research, Perplexity on AI answer engines and learning, multiple pharmaceutical companies for drug discovery, a multinational chemical company for pattern recognition and in support of the space agency's AI tool for earth observation.

Revenue for vertical-specific applications totaled \$1 million in this first year, all of it recurring, but it's early days and some of these are more like pilots. Long term, you can start to imagine the number of potential use cases and customers around the world.

Organizations leveraging AI to conduct high-value R&D need to ground their solutions in the high-quality trusted knowledge that Wiley provides. As a first mover, we continue to learn from these partners and them from us. In the case of Perplexity, Wiley is collaborating with this innovator on the latest AI development and gaining valuable insights on how learners interact with our content in this form while enabling us to test new business models.

In addition to AI, we are bringing our capabilities deeper into organizations with science analytics. Of particular note is our Spectral Data program, which continues to grow by double digits. Wiley has one of the most comprehensive spectral database collections in the world, allowing chemists and other researchers to identify molecular compounds to reach better conclusions faster.

Wiley also continues to provide knowledge hubs, advertising and recruiting services for R&D-centric companies, particularly in health care. Corporate is a burgeoning market for us, and we're going to capitalize. Of course, we need to acknowledge the uncertainty out there, be it policy swings, tariffs and uncertain economic climate and other unknowns. But from what we know today, we remain confident in our continued resilience and growth.

To refresh, our content is must-have for institutions. Researchers must be published for career advancement and publishing remains essential to assess research outcomes. Research is truly a global ecosystem, enjoying strong geographic and funding diversity. It is not dependent on any one market. While there may be some noise in the U.S., other key markets are investing heavily in R&D, innovation and publishing output.

We have a large recurring revenue base, as noted. We've talked about the ongoing demand to publish and our strong pipeline of submissions. Our content and data are in demand for AI development. The academic side of our business is steady and countercyclical over time.

Professional title signings were up over the past 2 years, and we continue to aggressively tackle our cost structure while keeping a tight lid on our expenses. Perhaps most importantly, being relevant for 218 years demonstrates that Wiley plays the long game. That's what we're doing right now. We will not be distracted from delivering on our strategic objectives. I'll now pass the call to Chris.

**Christopher F. Caridi**

*Interim CFO, Senior VP, Chief Accounting Officer & Global Corporate Controller*

Thank you, Matt, and good morning, everyone. I want to commend all my Wiley colleagues for our performance and profitability improvements over the past 18 months. As Matt noted, we still have work to do, but the team has made important material strides.

As always, we are passionate about meeting our commitments and earning your trust to shareholders. Margin expansion has been a focal point for us. We took certain actions across the company in Q4, which led to a restructuring charge of \$12 million.

Our current efficiency programs are focused on our corporate line, notably technology. We continue to make good headway there and are ramping up our efforts in fiscal '26 even as we deliver improvements to our enterprise systems and roll out our new research publishing platform.

We are targeting a substantial reduction in our technology costs over time by streamlining the tech organization with a focus on our location footprint in partnerships with external providers, rationalizing our application landscape and capitalizing on emerging AI-driven software development tools.

We are confident that our technology transformation program will lead to improved delivery and innovation at lower cost. We are also focused on other corporate services, including operations, finance, human resources and legal. We continue to evaluate the efficiency of our corporate processes and look for ways to drive further improvements.

Our corporate expenses were down 10% in Q4 and 4% in fiscal year '25, although as expected, the unallocated portion rose modestly this year, mainly due to enterprise modernization. We expect corporate expenses to come down in fiscal '26. While we're rationalizing certain areas of spend, we continue to invest in our journal portfolio expansion, research publishing platform and AI opportunities.

We're also evaluating product profitability across our portfolio and we'll take action as necessary. Our multistage research platform launch continues with over 1,400 journals now in our new submission system and over 700 on our peer review system. Our work will continue in earnest through the calendar year, but will be an ongoing initiative as we add new functionality and features.

As discussed, the platform will improve publishing cycle times, expand capacity and reduce our cost per article. Finally, we are implementing prudent expense measures near term as we navigate this period of uncertainty. Given all this work, we expect to deliver significant adjusted EBITDA margin improvement over time in addition to the progress we've made to date.

Let me touch on our Q4 results. Adjusted revenue was essentially flat with research growth and AI licensing, offset by a \$23 million rights project in the prior year. As noted, the most current AI licensing agreement in Learning is valued at \$18 million, with \$9 million recognized this quarter and \$9 million next quarter.

If you back out AI revenue from both years, learning would be up 4%. We continue to drive improvements in adjusted operating income, up 15% and EPS up 14%. Adjusted EBITDA was flat due to revenue performance, although our margin rose slightly to 28.4%.

For the full year, adjusted revenue was up 3%, driven by research and academic growth and AI licensing, offsetting some pressure in professional due to retail channel softness. Adjusted operating income, adjusted EPS and adjusted EBITDA were up 29%, 31% and 8%.

As noted, we delivered a 24% adjusted EBITDA margin for the year. Turning to our Research segment. Fourth quarter and full year revenue increased 3% from growth in both our recurring revenue models and open access programs and new AI licensing revenue. We saw some softness in ancillary and print products, including back files and digital archives. These are more discretionary in nature.

As of April, we've completed 99% of our calendar year '25 journal renewals and are seeing good growth overall. We will commence our calendar year '26 renewal discussions in the late fall time frame. Importantly, our publishing pipeline remains robust and well dispersed with 45% of global output from APAC, 30% EMEA, 20% North America and 5% from the rest of the world.



Research Solutions returned to growth this year, up 2%, driven by databases and content solutions for corporations, offset by softness in recruitment. Adjusted EBITDA for Research increased 4% for the quarter and 5% for the year, reflecting revenue growth and cost savings, partially offset by investments in growth and productivity initiatives. Our full year margin improved by 30 basis points to 32.1%.

In summary, for Research, we are pleased with our fiscal '25 performance, operating improvements and investments. On to our Learning segment. Q4 revenue declined 5% due to the large AI agreement in the prior year and retail channel softness in Professional Publishing.

For the year, revenue rose 2%, driven by AI licensing and steady market conditions in academic, notably student enrollment, the shift to inclusive access and growth in digital content and courseware. We continue to deliver robust growth in new title signings across the science, technology, medicine and professional fields, which are expected to contribute to our financial performance in '26 and beyond.

Adjusted EBITDA for the Learning segment declined 6% this quarter, reflecting revenue performance, but rose 9% for the year. Our margin expansion initiatives in Learning delivered 250 basis points of improvement in fiscal '25, resulting in an adjusted EBITDA margin of 37.4%.

Since fiscal '23, we have improved our EBITDA margin in Learning by an astounding 850 basis points, all without sacrificing growth. In summary, we continue to be pleased with the growth, profit contribution and cash generation of this business and continue to invest where we see specific opportunities.

Let's discuss our current financial position and return to shareholders. Cash from operations was down modestly in fiscal '25. This decline reflects spend on cloud-based solutions related to our targeted enterprise modernization work, which largely occurred in the second half of the fiscal year. This spend is capitalized and amortized like CapEx, but reported in this section of the cash flow statement. Without this shift, cash from operations would have been higher due to adjusted EBITDA and favorable working capital movements.

Free cash flow rose 10% to \$126 million due to lower CapEx. Note, combining CapEx and cloud-based solutions spend, we outlaid comparable amounts in fiscal '25 and fiscal '24. We remain confident in achieving our free cash flow target of \$200 million in fiscal '26.

Dividends and share repurchases totaled \$137 million, up from \$122 million in the prior year. Approximately \$60 million was used to acquire nearly 1.4 million shares. Our current dividend yield is around 3.5%. After the year closed, we received \$120 million of cash proceeds for the University Services business, which we will use to further reduce our debt. This will save us approximately \$5 million in cash interest payments per year.

Finally, our net debt-to-EBITDA ratio was 1.8 at the end of April compared to 1.7 in the prior year period. This is before we deploy the divestiture proceeds. Let me turn to growth drivers behind our outlook. As a reminder, our calendar year '25 renewal season was favorable. Our publishing pipeline remains strong and the higher education market is steady.

We continue to do good work on the professional side with new title signings and publishing and product improvements and assessments. Our commitments for this year are simple. First, deliver profitable revenue growth in an uncertain economy; second, materially expand margins and cash flow. Third, drive continued momentum in the corporate market through AI, analytics and services.

Turning to our fiscal year outlook. Revenue growth is expected to be in a range of low to mid-single digits. Our growth outlook includes the adverse year-over-year impact of \$40 million of AI licensing revenue in fiscal '25. We do anticipate additional AI revenue this year, but not enough to be comparable to the prior year at this stage.

We're raising our adjusted EBITDA margin outlook again to a range of 25.5% to 26.5%. This is up from our initial target of 24% to 25% and up from our fiscal '24 actual of 22.8%. Adjusted EPS is expected to be in a range of \$3.90 to \$4.35, up from \$3.64 in fiscal '25 and \$2.78 in fiscal '24. This is driven by expected growth in adjusted operating income from revenue growth and cost savings.



Finally, free cash flow is expected to be approximately \$200 million, driven by expected EBITDA growth, lower restructuring payments and favorable working capital. CapEx is expected to be comparable to this year's total of \$77 million.

One comment on quarterly phasing. In Q1, we will have an unfavorable year-over-year comparison of \$17 million related to prior year AI projects. We do expect some offset from new AI revenue, namely \$9 million related to the agreement signed in Q4, but Q1 reported revenue is still expected to be down modestly, reflecting this comparison issue. As always, it's far more relevant to look at us on a full year basis. I'll pass the call back to Matt.

**Matthew S. Kissner**

*President, CEO & Employee Director*

Thank you, Chris. Let me recap our key takeaways before opening the floor to questions. Wiley has consistently served as a safe haven, delivering resilient compounding growth across economic cycles. This is due to our must-have content and data, recurring business models, good geographic diversity and strong financials.

In addition, we are well ahead in tackling our cost structure and continuously improving our fundamentals. We are now a clear beneficiary in AI development across multiple sectors. AI licensing and partnership is another avenue for us into the ever-expanding corporate opportunity.

Execution and discipline are now core strengths of ours as is evident in our continuously expanding margins and cash flow. We remain balanced on capital allocation as we invest in high-return initiatives in research and return cash to shareholders through dividends and repurchases. And based on what we know today and the momentum we're seeing in our leading indicators, we feel confident in our stated fiscal '26 growth outlook for revenue, margins and cash flow.

I want to thank all of you for joining us today. We will continue to work hard to reward your trust and confidence. Thank you to our wonderful colleagues for their drive and determination to generate lasting value for our customers, partners and shareholders.

As I said a year ago, nothing unites us more than being on a winning team. And that is what we are and what we will continue to be. I'll open the floor to questions.

## Question and Answer

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### Operator

[Operator Instructions] Our first question comes from the line of Daniel Moore with CJS Securities.

### Daniel Joseph Moore

*CJS Securities, Inc.*

Congrats on the strong progress in '25 and I appreciate the comments on phasing. Maybe start with obviously, the '26 revenue guidance, low to mid-single-digit growth, including the tough AI comp, \$40 million licensing. I guess it sounds like you expect some additional AI revenue, including the \$9 million, but a little bit lower. Just talk about the outlook for sort of organic growth ex AI and the likely, I guess, the -- what would cause you to get a little bit closer to the higher end of the range, mid-single digit? What would be the factors that might cause you to come in toward the lower end? Any risks -- relative risks upside, downside would be super helpful.

### Matthew S. Kissner

*President, CEO & Employee Director*

Thanks, Dan. First of all, quick comment. AI is still a very rapidly evolving market. So it's certainly not as predictable as we'd like to see. So that's why we don't really bake it into our numbers. But let me ask Chris to talk about our thinking around organic growth.

### Christopher F. Caridi

*Interim CFO, Senior VP, Chief Accounting Officer & Global Corporate Controller*

Yes. Thanks, Dan. The drivers that we saw this year, we largely see continuing next year. Open Access revenues have been strong throughout fiscal '25 and the submissions and acceptances that we're yielding are continuing in the fashion that we saw in '25. So we expect '26 to benefit from that as well. Additionally, as we've mentioned, our TA and subs revenue, we have some line of sight relative to the calendar '25 renewals, which were good, and we expect to realize that as well. On the learning side, we have seen in fiscal '25 strong growth in our inclusive access as well as courseware, and we see that continuing into fiscal '26 as well.

### Matthew S. Kissner

*President, CEO & Employee Director*

Jay, do you want to quickly comment on the visibility you have into '25 revenue, particularly in research? I mean, sorry, '26 revenue, not '25. Calendar year '25.

### James Flynn

*Executive VP and GM of Research & Learning*

Of course. There you go. So yes, Dan, we -- as you know, we have a calendar year subscription model that splits over 2 fiscals. So I have really good visibility into CY '25. We had a great renewal year this year for calendar '25. And as Matt indicated in our prepared remarks, our submissions were up 19% in the year. So that gives us a sense of what the journal article pipeline looks like, and it gives us a great deal of confidence in the sort of May to December period of our current fiscal year, fiscal year '26.

The outlook for calendar '26 renewal is something that we're very dialed into, and we're -- our sales team -- I just met with them this past week in Texas, met with the institutional sales teams and leaders, and they're raring to go for calendar '26 as well. So we have decent visibility and are feeling optimistic to guide to the numbers that Chris and Matt have already shared.

### Daniel Joseph Moore

*CJS Securities, Inc.*

Very helpful. And the recurring revenue, you mentioned several partnerships that are developing, mostly sort of beta testing at this point. Just confirming, I think you said it was around \$1 million this year. Any sense for what that contribution might look like either '26 or beyond at this stage?

**Matthew S. Kissner**

*President, CEO & Employee Director*

Yes. Let me comment and then Jay can give you a little more color. It's kind of a really nascent emerging market where corporations are fine-tuning their proprietary AI models with our data, and they want the most current, most accurate data. So we're really running a series of pilots, but getting a lot of interest.

As to how rapidly that's going to develop, again, it's very, very early days, but we are -- I do think kind of that's the future of where the puck is going with AI, at least relative to our business. Jay, you want to maybe fill in some color on that?

**James Flynn**

*Executive VP and GM of Research & Learning*

Yes, absolutely. And first, let's just lead with the headline that the \$1 million isn't the ceiling. It's the start of a shift towards AI monetization models that look a lot more like traditional SaaS or subscription. They're high margin, they're recurring. They're deeply embedded, as Matt said, into the R&D workflow. So it's an early-stage figure based on these new utility-based licensing models.

The key features there, Dan, has to do with access to APIs and the need for, as Matt said, corporate -- or sorry, R&D-intensive corporates to get access to the most current high-quality content to help them achieve their business goals.

So we announced a number of partnerships this year, both with tech companies and AI native companies like AWS, Perplexity. And we've gone to our existing corporate customers and essentially upsold them on AI-friendly packages that will play in their new AI research environment. So feeling really good about what we've learned.

I just want to reemphasize Matt's point. When we started doing these deals, we gave ourselves a goal of not only trying to maximize the value of our backlist, but also trying to learn where the -- where, as Matt put it, the puck was going in AI. And I couldn't be proud of the work the team has done. It's -- we've learned a lot, and I think it's going to be an exciting '26.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

Super helpful. We've touched on this before, but article submissions continue to be exceptionally strong, up 19%, while output is up 8%. I know there's not a direct formula between the 2 or relationship, but maybe just talk about whether or not those would expect -- those growth rates would expect to converge at all over time from your perspective.

**James Flynn**

*Executive VP and GM of Research & Learning*

Sure. So as we've talked about before, a lot of the growth in submissions continues to prop up the value of the subscription revenue. And so when we look at submission growth, you look at it by geography and you map that to the various business models that are in place in each geography.

The Open Access landscape, what Wiley used to refer to as the P times Q landscape represents about half our output. And the other half is still published under a traditional subscription license. And so what happens over time is that both revenue and conversion from submissions to acceptances will smooth, but we like to keep driving submission volume because that's the thing that is going to continue to provide an ongoing stream of value both to our subscribers, of course, to our authors who publish with us, but also for those stakeholders who want to see us continuing to publish every paper in their country, Open Access.

So there's always a 6 to 8-month lag time between submissions and publications. And there's never a great correlation between submissions and output in any given calendar year, but we'd love to see those trends all continuing to climb, and hats off to the marketing team and the publishing teams who drove those submission results this year as well as drove the article output results.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

Super helpful. You alluded to this. Clearly, this is an extraordinary time in kind of the general macro and funding environment. Just talk about what planning and budgeting. Obviously, calendar '25 in really great shape. Just talk about what planning and budgeting looks like right now, your visibility and confidence in being able to kind of forecast compared to maybe prior periods of disruption, whether it be GFC or any others that you can think of that might be a corollary.

**Matthew S. Kissner**

*President, CEO & Employee Director*

Yes. Let me comment, Dan, and then ask Jay again to add some color. Obviously, we're watching the external environment carefully in the U.S., of course. But we -- one is our internal indicators still are very strong. And the other is Jay and I had a focus group with a number of our leading sales folks at the meeting he talked about last week.

We had our global sales force together. And we just wanted to get their read on the market, the U.S. sales folks. And what we're hearing back is there's a lot of confusion and uncertainty, but nothing yet that would cause us undue concern.

That being said, we're obviously watching it very, very carefully. And Jay is organizing a number of actions to be prepared and maybe even take advantage of some volatility in the environment. So Jay, maybe you want to add a little color?

**James Flynn**

*Executive VP and GM of Research & Learning*

Sure, absolutely. I mean, look, given the uncertain environment, especially what we see in terms of science funding in the U.S., but also just the general state of affairs these days, it makes sense for us to approach '26, I think, with a balanced mix of discipline and flexibility. And so our guidance reflects that, a measured view of the macro environment, headwinds from geopolitical risks.

We baked that in policy volatility, global funding trends. It's all baked in, in education and in research. And that said, our business is globally diversified, half of revenue comes from outside the United States. So much of the portfolio is digital and recurring with multiyear contracts.

It gives us a really strong base to plan from. And so we've made a lot of progress on the cost alignment, the margin expansion, simplification of the platform, the operations that gives us more levers to pull if the environment shifts. And I think we're preparing for that. And as Matt and Chris have already indicated, the discipline around margin expansion remains constant and remains a robust strategy no matter what in the face of any kind of uncertainty on the revenue side.

So we're actively modeling this stuff. We're looking at R&D budget scenarios. As Matt talked about, we're planning with the sales teams to try to go where our customers are, support them if they're in need of support. We're looking at corporate R&D spending trajectories, too, as a way of providing new avenues for growth.

AI is obviously a new avenue for growth, and clearly, on the learning side, monitoring things like enrollments. So across the board, I think we're going into this eyes wide open, prepared, and I think you'll get updates from us regularly throughout the year on how we're viewing things.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

All right. Super helpful. Last for me. Obviously, congrats on the \$120 million collection from University Services divestment. That's a big deal that shouldn't go unnoticed. Pro forma leverage down to about 1.5 turn, at least based on the '26 outlook and another \$200 million of free cash coming this year.

You've been more aggressive in returning cash to shareholders. Is that the game plan going forward? Would you delever further from here or more likely to be more aggressive with buybacks, especially where the stock is trading today?

**Christopher F. Caridi**

*Interim CFO, Senior VP, Chief Accounting Officer & Global Corporate Controller*

Yes. Thanks, Dan. We -- as you noted, we returned pretty much our entire free cash flow this year to shareholders between dividends and share buybacks. That's not a formula that we would see going forward. We will return to what we would view as a more mixed approach where we still maintain the ability to invest in the business and take advantage of opportunities as we see them.

But having said that, returning to shareholders is a key component of what we look to do with our free cash flow, and we will continue to have a measured approach. \$60 million, I would not say, is a benchmark that we would necessarily look to meet, it's opportunistic, but we would do it again if we saw prices in the ranges that they were previously.

**Operator**

[Operator Instructions] I will turn the call back over to Mr. Kissner for closing remarks.

**Matthew S. Kissner**

*President, CEO & Employee Director*

Well, thanks, everyone, for joining us. We look forward to sharing more on our next earnings call, which will be in September. Have a great summer. Thank you.

**Operator**

Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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