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# First Quarter 2020 Earnings Report

September 5, 2019

**Safe Harbor Statement**

This presentation contains certain forward-looking statements concerning the Company's Fiscal Year 2020 Outlook, operations, performance, and financial condition. Reliance should not be placed on forward-looking statements, as actual results may differ materially from those in any forward-looking statements. Any such forward-looking statements are based upon many assumptions and estimates that are inherently subject to uncertainties and contingencies, many of which are beyond the control of the Company and are subject to change based on many important factors. Such factors include, but are not limited to (i) the level of investment in new technologies and products; (ii) subscriber renewal rates for the Company's journals; (iii) the financial stability and liquidity of journal subscription agents; (iv) the consolidation of book wholesalers and retail accounts; (v) the market position and financial stability of key retailers; (vi) the seasonal nature of the Company's educational business and the impact of the used book market; (vii) worldwide economic and political conditions; (viii) the Company's ability to protect its copyrights and other intellectual property worldwide (ix) the ability of the Company to successfully integrate acquired operations and realize expected opportunities; (x) the Company's ability to realize operating savings over time and in fiscal year 2020 in connection with our multi-year Business Optimization Program and (xi) and other factors detailed from time to time in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any such forward-looking statements to reflect subsequent events or circumstances.

**Non-GAAP Measures**

In this presentation, management may present the following non-GAAP performance measures:

- Adjusted Earnings Per Share ("Adjusted EPS");
- Free Cash Flow less Product Development Spending;
- Adjusted Revenue;
- Adjusted Operating Income and margin;
- Adjusted Contribution to Profit ("Adjusted CTP") and margin;
- EBITDA and Adjusted EBITDA;
- Inorganic contribution; and
- Results on a constant currency ("CC") basis.

Management believes non-GAAP financial measures, which exclude the impact of restructuring charges and credits and other items, provide supplementary information to support analyzing operating results and earnings and are commonly used by shareholders to measure our performance. Free Cash Flow less Product Development Spending helps assess our ability over the long term to create value for our shareholders. Results on a constant currency basis removes distortion from the effects of foreign currency movements to provide useful comparability of our business trends from period to period. We measure our performance before the impact of foreign currency (or at "constant currency"), which means that we apply the same foreign currency exchange rates for the current and equivalent prior period. We have not provided our 2020 outlook for the most directly comparable U.S. GAAP financial measures, as they are not available without unreasonable effort due to the high variability, complexity, and low visibility with respect to certain items, including restructuring charges and credits, gains and losses on foreign currency, and other gains and losses. These items are uncertain, depend on various factors, and could be material to our results computed in accordance with U.S. GAAP.

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# New segments aligned to current operations and growth strategy

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***Driving the world forward with research and education***

## Research

***Driving the discovery, usage and impact of scholarly research***

### Research Publishing & Platforms

- Research content
- Researcher services
- Corporate research products
- Content delivery platforms
- Researcher workflow tools

## Education

***Enabling powerful learning for personal and professional growth***

### Education Publishing & Professional Learning

- Content and courseware
- Test prep programs
- Professional development programs
- Corporate e-learning
- Professional books (trade)

### Education Services

- Degree program services (e.g. OPM)
- Credentialing services (e.g. bootcamps)

# First Quarter 2020 Takeaways

Revenue growth in Research and Education Services offset a decline in Education Publishing & Professional Learning

- Research growth (+3%) driven by sustained momentum in Research Publishing (+3%) and Atypon (platforms) (+10%)
- Education Services growth (+69%) reflects organic growth of 9% and the addition of Learning House (Q3 2018)
- Education Publishing & Professional Learning decline (-6%) from softness in books and test prep

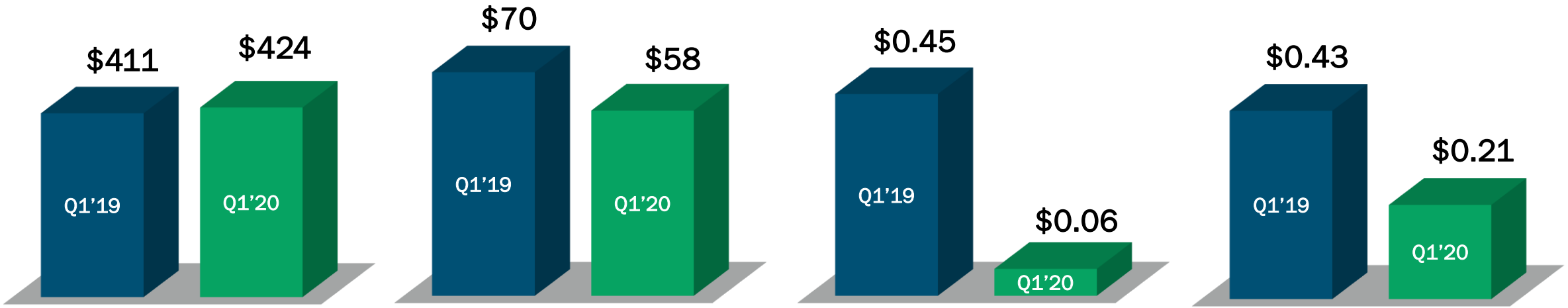
Earnings decrease driven by Education Publishing & Professional Learning revenue decline and investment in growth initiatives, including acquisitions

- Rate of earnings decline reflects timing of growth, investments, and optimization initiatives
- Full-year outlook reaffirmed and updated for zyBooks acquisition

Free Cash Flow improvement of $45 million driven primarily by timing of journal cash collections

Knewton and Zyante (zyBooks) acquisitions support Wiley's strategy to lead in courseware for high-demand disciplines such as computing and STEM by delivering high-impact, lower cost solutions

# First Quarter 2020 Performance




Revenue | Adjusted EBITDA | GAAP EPS | Adjusted EPS

| Q1 2020 | Reported | Constant Currency (CC) |
|---|---|---|
| Revenue | +3% | +5%* |
| Adjusted EBITDA | | (18%) |
| Adjusted EPS | | (53%) |

*Revenue at constant currency excluding impact of acquisitions +0.5%



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# Research Publishing & Platforms

*Well-positioned, steadily growing, profitable*

| *(millions)* | Q1 2020 | % Change Favorable (Unfavorable) | % Change CC Favorable (Unfavorable) |
|---|---|---|---|
| Research Publishing | $220 | 1% | 3% |
| Research Platforms (Atypon) | $9 | 10% | 10% |
| **TOTAL REVENUE** | **$229** | **2%** | **3%** |
| CONTRIBUTION TO PROFIT (CTP) | $56 | (3%) | |
| **ADJUSTED CTP** | **$58** | | **3%** |
| **ADJUSTED EBITDA** | **$75** | | **5%** |

**Highlights**

- Revenue growth driven by open access momentum and Atypon
- Long-established institutional relationships enabling innovative partnerships (Virginia - VIVA and OhioLINK consortia)
- Leading position maintained in annual Journal Citation Reports for number of articles indexed and citations received
- Research demand continues to rise with strong growth in articles submitted and content usage
- Strong growth and pipeline in Atypon platform business



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# Education Publishing & Professional Learning

*Investing for profitable growth in high-demand disciplines and content delivery models*

| *(millions)* | Q1 2020 | % Change Favorable (Unfavorable) | % Change CC Favorable (Unfavorable) |
|---|---|---|---|
| Education Publishing | $66 | (11%) | (10%) |
| Professional Learning | $79 | (4%) | (2%) |
| **TOTAL REVENUE*** | **$145** | **(7%)** | **(6%)** |
| CONTRIBUTION TO PROFIT (CTP) | $5 | (77%) | |
| **ADJUSTED CTP*** | **$8** | | **(64%)** |
| **ADJUSTED EBITDA** | **$24** | | **(37%)** |

**Highlights**

- Revenue performance from softness in books and test preparation, offsetting growth in corporate training
- Profit unfavorably impacted by investments in growth initiatives, including Knewton and zyBooks acquisitions
- Investment focused on high-demand disciplines, ed-tech platforms and low-cost delivery models; new acquisitions expand growing courseware business

# Education Services

*Organic revenue growth and Learning House acquisition enabling improved Adjusted EBITDA*

| (millions) | Q1 2020 | % Change Favorable (Unfavorable) | % Change CC Favorable (Unfavorable) |
|---|---|---|---|
| **TOTAL REVENUE*** | **$49** | **69%** | **69%** |
| CONTRIBUTION TO PROFIT (CTP) | ($7) | (43%) | |
| **ADJUSTED CTP** | **($5)** | **2%** | **2%** |
| **ADJUSTED EBITDA** | $0.4 | +$2M | +$2M |

*Excluding the three month inorganic contribution from Learning House: Q120 Education Services revenue +9%

**Highlights**

- Four new partners signed in the quarter, including Eastern Oregon University and Babson College
- New programs announced at Northern Illinois University and University of Birmingham (UK)
- Adjusted EBITDA improvements from added scale, organic revenue growth and efficiency gains, including the Learning House integration

# Two acquisitions support Wiley's education market strategy

*Expanding Wiley's position in high-demand disciplines, tech platforms and low-cost courseware*

| | KNEWTON<br>May 31, 2019 | zyBooks<br>July 1, 2019 |
|---|---|---|
| **Discipline Focus** | Foundation level statistics, chemistry, mathematics, economics | Computer Science and STEM |
| **Platforms** | **Alta**: leading data-driven adaptive learning and mastery-based learning | **zyBooks**: student-friendly content with hands-on discovery, practice, & analytics |
| **Value Proposition** | Low-cost, high-impact courseware | Low-cost, high-impact |
| **Content Approach** | Curated OER plus proprietary content | Proprietary content |
| **Expansion** | -New courses in Wiley-focused disciplines<br>-Integrate with WileyPLUS<br>-Expand to support test prep | -New courses in Wiley-focused disciplines<br>-Integrate with WileyPLUS<br>-Expand to support credentialing, corporate training, test prep |

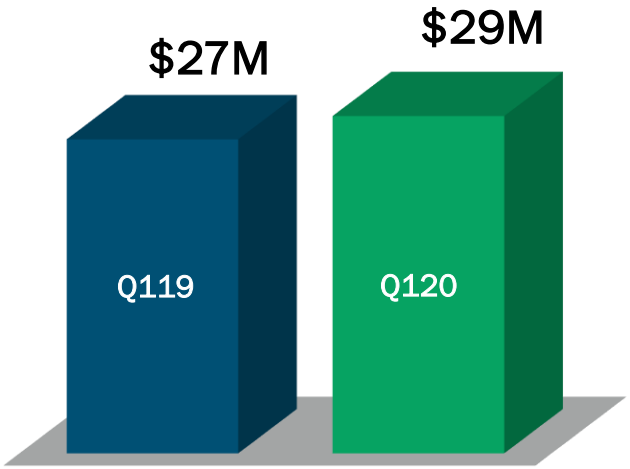
# Cash Flow, Balance Sheet & Cash Return to Shareholders

- **Free Cash Flow improvement of $45M primarily driven by the timing of cash collections;** Cash Flow from Operations and Free Cash Flow generally a use in first half of fiscal year
- **Modest leverage, even with recent acquisitions**: Net Debt / EBITDA at 1.7, inclusive of Learning House, Knewton and zyBooks acquisitions
- **Strong track record of returning cash to shareholders**, including Q1 share repurchases ($10M for 218K shares at $45.97 average cost per share)

## Free Cash Flow

| Q119 | Q120 | Change |
|---|---|---|
| ($170M) | ($125M) | **+$45M** |

## Dividends and Share Repurchases



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# Full Year Outlook Reaffirmed (Updated for zyBooks Acquisition)

| | FY19 Actual | Original FY20 Outlook* | zyBooks Impact | Updated FY20 Outlook* |
|---|---|---|---|---|
| Revenue | $1.80B | $1.84B-$1.87B | $15M | $1.855B-$1.885B |
| Adjusted EBITDA | $388M | $360-$375M | ($3M) | $357-$372M |
| Adjusted EPS | $2.96 | $2.45-$2.55 | ($0.10) | $2.35-$2.45 |
| Free Cash Flow | $149M | $210-$230M | Insignificant | Unchanged |

*Outlook is at constant currency (reflecting FY19 average exchange rates)

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Upcoming events:

**Annual Shareholder Meeting**
Thursday September 26 at 8am ET
www.virtualshareholdermeeting.com/JWA2019

**Wiley Investor Day**
Friday October 4 at 9am-12:30pm ET
Hoboken, NJ USA

Contact Brian Campbell for more details –
brian.campbell@wiley.com



# Appendix

**JOHN WILEY & SONS, INC.**

**SUPPLEMENTARY INFORMATION (1)**

**RECONCILIATION OF GAAP EPS to NON-GAAP ADJUSTED EPS - DILUTED**

**(unaudited)**

| | Three Months Ended July 31, | |
|---|---|---|
| | **2019** | **2018** |
| **GAAP Earnings Per Share - Diluted** | **$ 0.06** | **$ 0.45** |
| Adjustments: | | |
| Restructuring and related charges (credits) (A) | 0.14 | (0.08) |
| Foreign exchange losses on intercompany transactions (B) | 0.01 | 0.05 |
| **Non-GAAP Adjusted Earnings Per Share - Diluted** | **$ 0.21** | **$ 0.43** |

**Notes:**

(A) Adjusted results exclude restructuring and related charges (credits) associated with our recently announced multi-year Business Optimization Program and our previous Restructuring and Reinvestment Program. For the three months ended July 31, 2019 and 2018, there were charges of $10.9 million, or $0.14 per share and none, respectively, related to the Business Optimization Program. For the three months ended July 31, 2019 and 2018, there were credits of $0.2 million, or no impact per share, and credits of $6.1 million or $(0.08) per share, respectively, related to the Restructuring and Reinvestment Program.

(B) Adjusted results exclude foreign exchange losses associated with intercompany transactions. For the three months ended July 31, 2019 and 2018, there were losses of $0.3 million, or $0.01 per share and losses of $4.0 million or $0.05 per share, respectively.

(1) See Explanation of Usage of Non-GAAP performance measures included in this supplementary information for additional details on the reasons why management believes presentation of each non-GAAP performance measure provides useful information to investors. The supplementary information included in this press release for the three months ended July 31, 2019 is preliminary and subject to change prior to the filing of our upcoming Quarterly Report on Form 10-Q with the Securities and Exchange Commission.

# Appendix

**JOHN WILEY & SONS, INC.**
**SUPPLEMENTARY INFORMATION (1)**
**RECONCILIATION OF GAAP NET INCOME to NON-GAAP EBITDA AND ADJUSTED EBITDA**
**(unaudited)**

| | Three Months Ended July 31, | |
|---|---|---|
| | **2019** | **2018** |
| **Net Income** | **$ 3,624** | **$ 26,295** |
| Interest expense | 6,077 | 2,796 |
| Provision for income taxes | 343 | 7,786 |
| Depreciation and amortization | 42,219 | 40,171 |
| **Non-GAAP EBITDA** | **52,263** | **77,048** |
| Restructuring and related charges (credits) | 10,735 | (6,086) |
| Foreign exchange transaction (gains) losses | (2,652) | 1,729 |
| Interest and other income | (2,833) | (2,466) |
| **Non-GAAP Adjusted EBITDA** | **$ 57,513** | **$ 70,225** |

**Notes:**

(1) See Explanation of Usage of Non-GAAP performance measures included in this supplementary information for additional details on the reasons why management believes presentation of each non-GAAP performance measure provides useful information to investors. The supplementary information included in this press release for the three months ended July 31, 2019 is preliminary and subject to change prior to the filing of our upcoming Quarterly Report on Form 10-Q with the Securities and Exchange Commission.