



---

# Third Quarter 2024 Earnings Call Presentation

Thursday, March 21, 2024

---

# Forward-Looking Statements / Regulation G

This presentation contains certain statements made today which will be forward-looking. These forward-looking statements, by their nature, are subject to various risks and uncertainties, and actual results may differ materially from those currently anticipated.

Today's comments include references to certain non-GAAP financial measures as defined in Regulation G. The reconciliation of these non-GAAP financial measures with the relevant GAAP financial information and other information required by Regulation G is provided in the Company's earnings release, which is posted on the Company's investor relations website at [investor.scholastic.com](http://investor.scholastic.com).



# Peter Warwick

President and Chief Executive Officer

---

---

# Third Quarter 2024 Highlights

- Strong Trade publishing sales and 360-degree content-creation strategy, further establishing leadership in children's publishing and media
- Announced strategic investment in 9 Story Media Group, a highly successful children's media creator with incremental opportunities for production and global licensing of Scholastic IP
- Solidly executed in School Reading Events and Education Solutions, navigating currently complex environment in U.S. schools and positioning for strong Q4 and long-term growth
- Returned over \$60 million to shareholders in Q3, demonstrating confidence in long-term outlook
- Recorded Q3 results in-line with expectations for seasonally small quarter
- Affirmed previously revised FY24 guidance for Adjusted EBITDA of \$165 to \$175 million

---

# Third Quarter 2024 Segment Highlights

- Children's Books revenues declined 5%, reflecting planned resizing of Book Clubs and lower expected production revenue from Scholastic Entertainment
  - Consolidated Trade revenues up 15%, excluding Scholastic Entertainment, outperforming retail book-selling market as new releases dominated best-seller lists
  - Scholastic Entertainment continues to execute 360-degree content-creation strategy for core and "newstalgia" brands
  - In seasonally smaller quarter, School Reading Events revenues down, reflecting strategic resizing of Book Clubs. Book Fairs revenues down slightly
- Education Solutions revenues decreased modestly, as growth strategy operationalized, and key product lines aligned with market to deliver blended, literacy-focused solutions
- International revenues were up 16% on continued recovery in major markets, particularly in Canada and the U.K., and in Asia

# Transaction Overview – Scholastic + 9 Story™

- Scholastic to acquire 100% of the economic interest in and a minority of voting rights in 9 Story Media Group (“9 Story”), a leading creator, producer and distributor of premium, animated & live-action children’s content
- Purchase price of approximately USD \$186M<sup>1</sup>, subject to customary purchase price adjustments
- Provides significant strategic benefits and incremental opportunities to build and monetize global, multi-media children’s brands, accelerating Scholastic's 360° content creation strategy
- Expected to close in Scholastic's fiscal 2025 first quarter<sup>2</sup>, funded from Scholastic's available cash and revolving credit facility



<sup>1</sup>) Represents CAD \$250M at CAD/USD exchange rate of 0.74 as of March 11, 2024; <sup>2</sup>) Scholastic's fiscal 2025 first quarter begins June 1, 2024

# 9 Story At A Glance

9 Story is a leading independent creator, producer and distributor of premium children's content

- Award-winning, turn-key global production studios in Toronto, Dublin, and Bali with state-of-the-art animation and live-action production capabilities
- Ability to tap significant Canadian and Irish tax subsidies & pre-sell productions through global distribution relationships to de-risk project financing
- Extensive kids' content library across a wide range of genres including 2-D and 3-D animation and live action
- In-house distribution and merchandising & licensing teams with global sales network maximizes long-term monetization opportunities

## KEY METRICS

**5,000+**

Half Hours of Distributed Catalog

**74%**

of Library Content Owned IP or Long-Term Rights

**131**

Consumer Product Licenses Globally

**18**

Animation Production Lines

**70+**

Properties Placed on Major AVOD Platforms

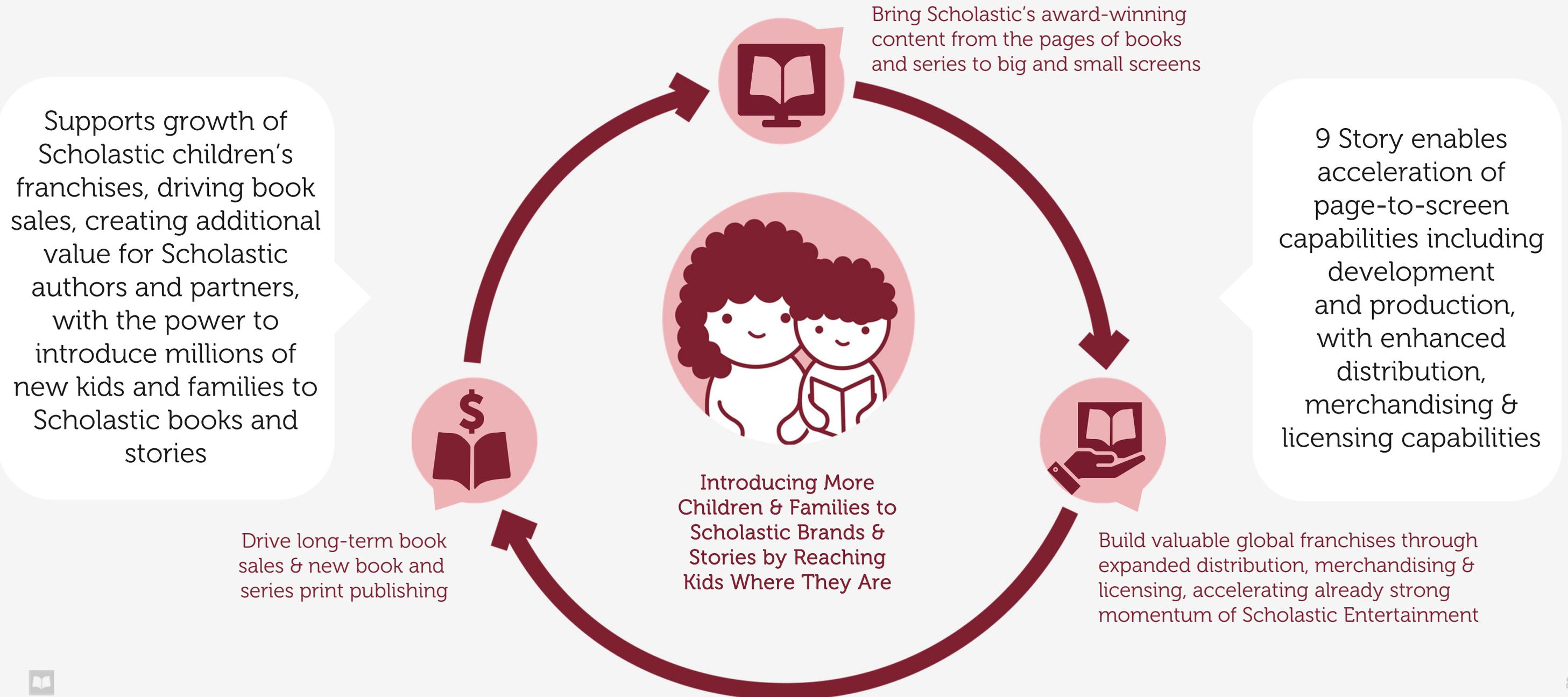
**~1,000**

Half Hours on Streaming Platforms

**21**

Emmy® Award Wins

# Transaction Accelerates 360° Content Creation Strategy



---

# Transaction Highlights

- 1** Accelerates 360° content creation strategy with significant brand & content monetization opportunity
- 2** Investment in best-in-class production studios with global distribution & licensing capabilities
- 3** Risk-mitigated production model through advantageous tax opportunities & ability to pre-sell productions
- 4** Complementary end-to-end creative and production capabilities across the IP lifecycle
- 5** Talented and experienced management team with highly-aligned cultures and values





# Haji Glover

Chief Financial Officer and Executive Vice President

---

# Third Quarter Segment Results (excluding one-time items)

In \$ Millions	Three Months Ended		
	02/29/2024	02/28/2023	Change
<b>Children's Book Publishing and Distribution</b>			
Book Clubs	\$ 13.3	\$ 27.7	(52)%
Book Fairs	102.7	103.5	(1)%
School Reading Events	116.0	131.2	(12)%
Consolidated Trade	77.6	72.8	7 %
Total Revenues	193.6	204.0	(5)%
Operating income (loss)	2.7	1.9	42 %
<b>Education Solutions</b>			
Revenues	68.5	70.0	(2)%
Operating income (loss)	(0.8)	0.7	NM
<b>International</b>			
Revenues	59.1	50.9	16 %
Operating income (loss)	(5.9)	(9.0)	34 %
<b>Overhead</b>			
Operating income (loss)	(26.6)	(21.3)	(25)%
<b>Operating income (loss)</b>	<b>\$ (30.6)</b>	<b>\$ (27.7)</b>	<b>(10)%</b>

NM - Not meaningful

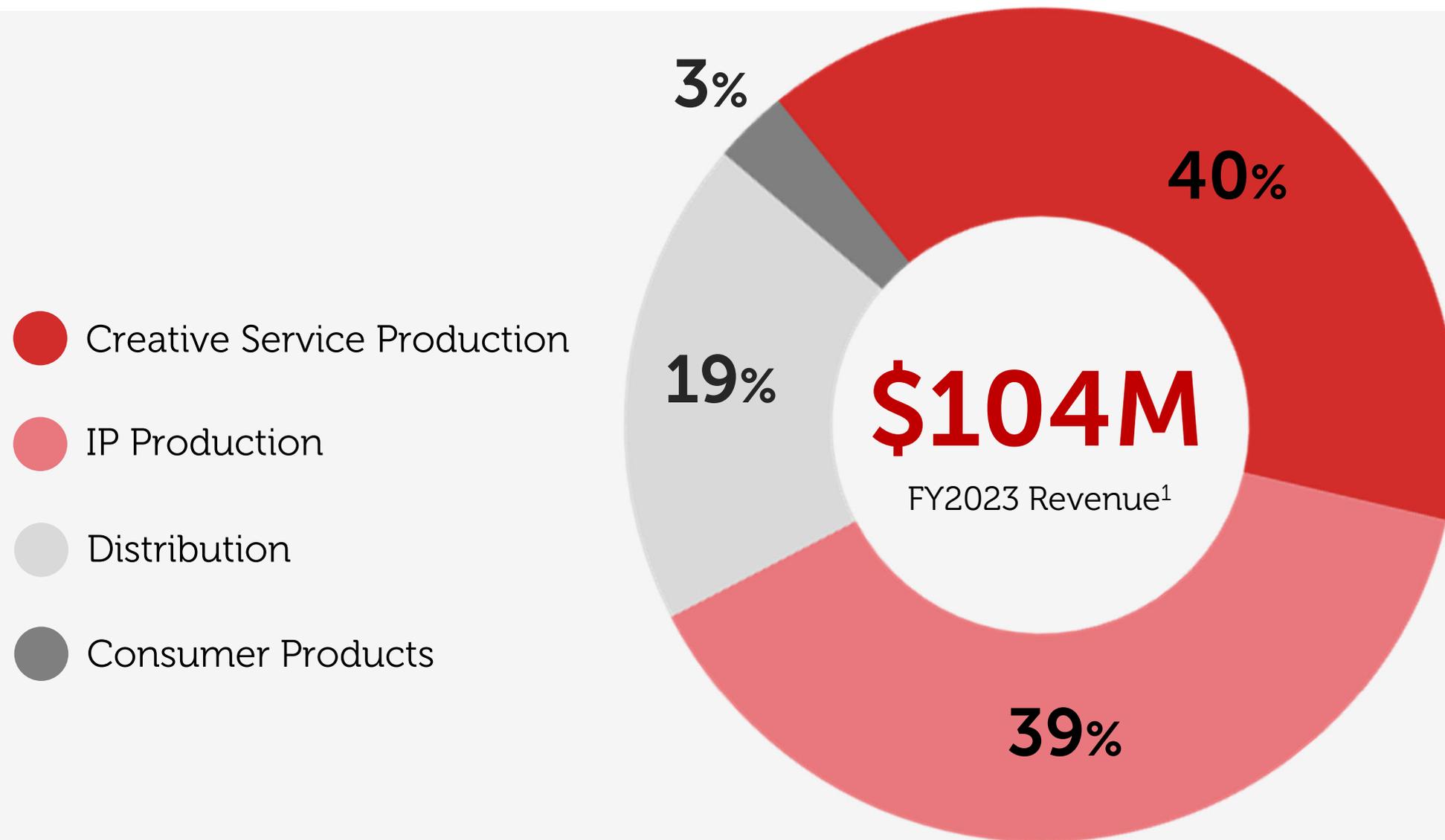
# Third Quarter Balance Sheet and Cash Flow Results

In \$ Millions	February 29, 2024	February 28, 2023
Free cash flow (use) (3 month period ending) <sup>(1)</sup>	\$ (7.1)	\$ (11.9)
Free cash flow (use) (9 month period ending) <sup>(1)</sup>	\$ 23.7	\$ (25.7)
Accounts receivable, net	\$ 253.0	\$ 261.7
Inventories, net	282.5	367.5
Accounts payable	126.1	158.4
Deferred revenue	193.8	203.0
Accrued royalties	75.1	83.2
Total debt	31.5	5.2
Cash and cash equivalents	110.4	198.8
Net cash (debt) <sup>(2)</sup>	78.9	193.6

1. Free cash flow (use) is defined by the Company as net cash provided by or used in operating activities (which includes royalty advances) and cash acquired through acquisitions and from sale of assets, reduced by spending on property, plant and equipment and prepublication costs. The Company believes that this non-GAAP financial measure is useful to investors as an indicator of cash flow available for debt repayment and other investing activities, such as acquisitions. The Company utilizes free cash flow as a further indicator of operating performance and for planning investing activities.

2. Net cash (debt) is defined by the Company as cash and cash equivalents, net of lines of credit and short-term debt plus long-term-debt. The Company utilizes this non-GAAP financial measure, and believes it is useful to investors, as an indicator of the Company's effective leverage and financing needs.

# 9 Story Financial Overview



Scholastic's strategic investment and economic interest in 9 Story expected to contribute long-term growth & earnings accretion

---

# Transaction Summary

## Transaction Overview

- Scholastic to acquire 100% of the economic interest in and a minority of voting rights in 9 Story Media Group
- Purchase price (enterprise value on cash-free, debt-free basis) of ~\$186M<sup>1</sup> USD (\$250m CAD)

## Transaction Financing

- Transaction expected to be initially funded from Scholastic's available cash and its revolving credit facility
- Current dividend and authorized share repurchase plan not expected to be impacted

## Approvals & Timing

- Transaction approved by the Board of Directors of Scholastic and 9 Story Media Group
- Subject to satisfactory opinion from the Minister of Canadian Heritage
- Expected to close in Scholastic's fiscal 2025 first quarter, which begins on June 1, 2024

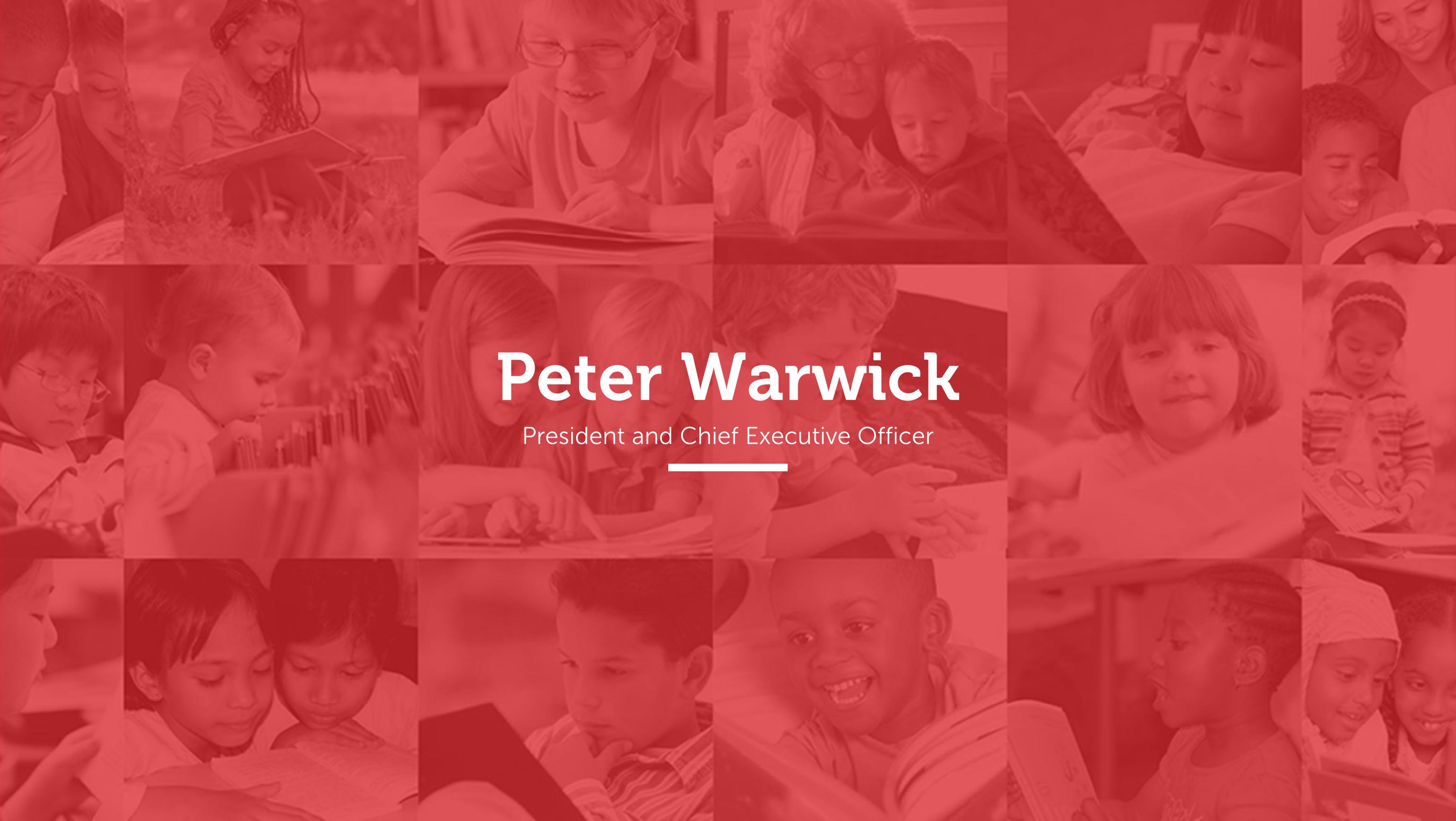


1) Based on CAD/USD exchange rate of 0.74 as of March 11, 2024

---

# Fiscal 2024 Outlook

- Affirming previously revised FY24 guidance ahead of seasonally important fourth quarter
  - Adjusted EBITDA of \$165 million to \$175 million
  - Revenue approximately level with or slightly below the prior year
- FY24 Free Cash Flow now forecast to be \$55 million to \$65 million, up from previous guidance
  - Total FY24 capex and prepublication spending still expected to be \$100 million to \$110 million
- Focused on long-term growth and capital allocation priorities:
  - Investing in growth opportunities
  - Maintaining a strong and efficient balance sheet
  - Returning excess cash to shareholders to enhance their returns



# Peter Warwick

President and Chief Executive Officer

---



A collage of various images showing children of different ethnicities and ages engaged in reading and learning activities. The images are overlaid with a semi-transparent red filter. The central focus is the word "Appendix" in white, bold, sans-serif font, with a short white horizontal line underneath it.

# Appendix

# Third Quarter Adjusted EBITDA

In \$ Millions	Three Months Ended	
	2/29/2024	2/28/2023
Earnings (loss) before income taxes as reported	\$ (34.6)	\$ (26.2)
One-time items before income taxes	4.3	—
Earnings (loss) before income taxes excluding one-time items	(30.3)	(26.2)
Interest (income) expense	(0.6)	(1.4)
Depreciation and amortization <sup>(1)</sup>	17.1	16.1
Amortization of prepublication costs	6.6	6.1
Adjusted EBITDA <sup>(2)</sup>	\$ (7.2)	\$ (5.4)

1. For the three months ended February 29, 2024 and February 28, 2023, amounts include depreciation of \$0.5 and \$0.9, respectively, recognized in cost of goods sold, amortization of deferred financing costs of \$0.1 and \$0.1, respectively, and amortization of capitalized cloud software of \$1.9 and \$1.6, respectively, recognized in selling, general and administrative expenses.
2. Adjusted EBITDA is defined by the Company as earnings (loss), excluding one-time items, before interest, taxes, depreciation and amortization. The Company believes that Adjusted EBITDA is a meaningful measure of operating profitability and useful for measuring returns on capital investments over time as it is not distorted by unusual gains, losses, or other items.

# Third Quarter Earnings (before and after one-time items)

In \$ Millions (except per share)

	Third Quarter 2024			Third Quarter 2023			Fiscal Year to Date 2024			Fiscal Year to Date 2023		
	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items
Revenues	\$ 323.7	\$ —	\$ 323.7	\$ 324.9	\$ —	\$ 324.9	\$ 1,114.8	\$ —	\$ 1,114.8	\$ 1,175.7	\$ —	\$ 1,175.7
Diluted earnings (loss) per share <sup>(1)</sup>	\$ (0.91)	\$ 0.11	\$ (0.80)	\$ (0.57)	\$ —	\$ (0.57)	\$ (0.80)	\$ 0.26	\$ (0.53)	\$ 0.30	\$ —	\$ 0.30
Net income (loss) <sup>(2)</sup>	\$ (26.5)	\$ 3.2	\$ (23.3)	\$ (19.2)	\$ —	\$ (19.2)	\$ (23.8)	\$ 7.9	\$ (15.9)	\$ 10.6	\$ —	\$ 10.6
Earnings (loss) before income taxes	\$ (34.6)	\$ 4.3	\$ (30.3)	\$ (26.2)	\$ —	\$ (26.2)	\$ (31.1)	\$ 10.6	\$ (20.5)	\$ 16.8	\$ —	\$ 16.8
Children's Book Publishing and Distribution <sup>(3)</sup>	\$ (0.8)	\$ 3.5	\$ 2.7	\$ 1.9	\$ —	\$ 1.9	\$ 68.5	\$ 3.5	\$ 72.0	\$ 85.0	\$ —	\$ 85.0
Education Solutions	(0.8)	—	(0.8)	0.7	—	0.7	(13.7)	—	(13.7)	3.4	—	3.4
International <sup>(4)</sup>	(5.9)	—	(5.9)	(9.0)	—	(9.0)	(6.1)	1.2	(4.9)	(5.8)	—	(5.8)
Overhead <sup>(5)</sup>	(27.4)	0.8	(26.6)	(21.3)	—	(21.3)	(81.4)	5.9	(75.5)	(68.3)	—	(68.3)
Operating income (loss)	\$ (34.9)	\$ 4.3	\$ (30.6)	\$ (27.7)	\$ —	\$ (27.7)	\$ (32.7)	\$ 10.6	\$ (22.1)	\$ 14.3	\$ —	\$ 14.3

- Earnings (loss) per share are calculated on non-rounded net income (loss) and shares outstanding. Recalculating earnings per share based on rounded numbers may not yield the results as presented.
- In the three and nine months ended February 29, 2024, the Company recognized a benefit of \$1.1 and \$2.7, respectively, for income taxes in respect to one-time pretax items.
- In the three and nine months ended February 29, 2024, the Company recognized pretax costs associated with its planned investment in 9 Story Media Group of \$3.0 and pretax asset impairment of \$0.5 related to an early exit of a sales office lease.
- In the nine months ended February 29, 2024, the Company recognized pretax severance of \$1.2 related to restructuring and cost-savings initiatives.
- In the three and nine months ended February 29, 2024, the Company recognized pretax severance of \$0.8 and \$5.9, respectively, related to restructuring and cost-savings initiatives.

