



SCHOLASTIC

**READ**  
Every Day

---

Lead a Better  
**LIFE**

FISCAL 2012 SECOND QUARTER EARNINGS PRESENTATION

December 15, 2011



## Forward-Looking Statements

---

This presentation contains certain forward-looking statements, which are subject to various risks and uncertainties, including the conditions of the children's book and educational materials markets and acceptance of the Company's products in those markets and other risks and factors identified from time to time in the Company's filings with the Securities and Exchange Commission. Actual results could differ materially from those currently anticipated.



## Regulation G

---

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 earning release, which is posted on the Company's investor relations website at [investor.scholastic.com](http://investor.scholastic.com).



## Dick Robinson

---

Chief Executive Officer, President  
and Chairman



## Educational Technology and Services

---

- Revenue up 30%+ driven by growth in reading, math and services
- Continued strong sales of READ 180<sup>®</sup> Next Generation since May launch, and other reading programs (System 44<sup>®</sup>, Big Day for Pre-K<sup>™</sup>)
- Strong momentum in math with Do The Math<sup>™</sup> (intervention) program
- Double-digit growth in services, driven by expanding customer base



## Classroom and Supplemental Materials Publishing

---

- Over 10% revenue growth driven by strong sales execution and new products
- Strong sales of paperback collections and of books to non-profit literacy programs
- Higher revenue and profits from classroom magazines



## Children's Books

---

- Revenue and profits up significantly in Trade, driven by multiple bestsellers, including The Hunger Games trilogy (in print and ebook)
- Higher profit in Book Clubs on reduced spending, including on promotion; improved New COOL performance metrics
- Sustained revenue in Book Fairs, with outlook for modest growth in second half



## Digital Initiatives in Children's Books

---

- Introduction of children's ereader and ebookstore in school channels planned for March 2012
- Have integrated ereader into ecommerce and back-office systems
- Completed extensive demonstration testing with Book Club and Fair customers
- Finalizing cross-channel marketing plan: Book Clubs, Book Fairs and online





## International

---

- Profits up on modestly lower revenue
- Lower revenue but higher profits in Australia, following discontinuation of low margin product lines
- Improved sales and results in UK
- Continued investment in Asia growth opportunity, including building out educational publishing operations in Singapore



## Maureen O'Connell

---

Executive Vice President,  
Chief Administrative Officer and  
Chief Financial Officer



# Income Statement

\$M (except per share)	Second Quarter	
	2012	2011
Revenues	\$685.3	\$667.9
Cost of goods sold	285.7	291.2
Selling, general and administrative expenses <sup>1</sup>	234.6	230.1
Bad debt expense	3.3	3.0
Depreciation and amortization	15.5	14.5
Loss on leases <sup>2</sup>	6.2	-
Total operating costs and expenses	545.3	538.8
Operating income from continuing operations	\$140.0	\$129.1
Other income (loss)	-	(0.4)
Interest expense, net	3.9	4.0
Provision for income taxes	52.8	47.6
Earnings from continuing operations	\$83.3	\$77.1
Loss from discontinued operations, net of tax	(0.5)	(2.2)
Net Income	\$82.8	\$74.9
Earnings per diluted share from continuing operations	2.62	2.20
Loss per share from discontinued operations, net of tax	(0.02)	(0.06)
Earnings per diluted share	\$2.60	\$2.14

<sup>1</sup>Includes \$4.7 of one-time expenses in Q2 2012 associated with the Company's cost reduction programs.

<sup>2</sup>Includes \$6.2 of non-cash loss on subleases resulting from the Company's cost reduction programs.



## Segment Results

\$M (except per share)	Second Quarter	
	2012	2011
Children's Book Publishing and Distribution		
Revenue	\$388.6	\$387.3
Operating income	108.6	97.3
Educational Technology and Services		
Revenue	\$65.4	\$49.1
Operating income	14.6	3.4
Classroom and Supplemental Materials Publishing		
Revenue	\$58.7	\$52.5
Operating income	10.3	7.6
International		
Revenue	\$144.1	\$145.9
Operating income	26.6	25.3
Media, Licensing and Advertising		
Revenue	\$28.5	\$33.1
Operating income	2.6	5.2
Corporate overhead <sup>1</sup>	\$22.7	\$9.7
Operating income from continuing operations	\$140.0	\$129.1

<sup>1</sup>Includes \$10.9 of mostly non-cash, one-time expenses related to the Company's cost reduction programs.



## Free Cash Flow and Balance Sheet

---

<b>\$M</b>	<b>Nov 30, 2011</b>	<b>Nov 30, 2010</b>
Free cash flow (3 month period ending) <sup>1</sup>	\$129.6	\$132.8
Accounts receivable, net	\$288.1	\$287.5
Inventories, net	\$376.2	\$367.9
Accounts payable	\$146.0	\$162.5
Accrued royalties	\$50.8	\$48.8
Total debt	\$158.4	\$231.2
Cash and cash equivalents	114.0	53.2
Net debt <sup>2</sup>	\$44.4	\$178.0

<sup>1</sup>Free cash flow is defined by the Company as net cash provided by or used in operating activities (which includes royalty advances), reduced by spending on property, plant and equipment and pre-publication and production costs

<sup>2</sup>Net debt is defined by the Company as lines of credit and short-term debt plus long-term-debt, net of cash and cash equivalents



## Fiscal 2012 Financial Guidance

---

<b>Revenue</b>	Approximately \$1.9 billion
<b>Earnings from Continuing Operations</b>	\$1.75 to \$2.10 per diluted share
<b>Free Cash Flow</b>	Above \$100 million

Note: Outlook for EPS and operating income excludes severance and other one-time expenses associated with cost savings and restructuring actions, as well as non-cash, non-operating items



## Questions & Answers

---

### Participants

- Richard Robinson
- Maureen O'Connell
- Shane Armstrong, International & Growth Markets
- Deborah Forte, Media
- Margery Mayer, Education
- Judy Newman, Book Clubs and E-Commerce
- Hugh Roome, Consumer and Professional Publishing