SCHOLASTIC

Third Quarter FY 2021 Earnings Call Presentation

Thursday, March 18, 2021

Forward-Looking Statements

This presentation contains certain forward-looking statements. Such forward-looking statements are subject to various risks and uncertainties, including those arising from the continuing impact of COVID-19 related measures taken by governmental authorities, school administrators, or suppliers or customers which may curtail or otherwise adversely affect certain of the Company’s business operations, and the conditions of the children’s book and educational materials markets generally and acceptance of the Company’s products in those markets, as well as 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 earnings release, which is posted on the Company's investor relations website at investor.scholastic.com.

Richard Robinson

Chairman, President
and Chief Executive Officer

Third Quarter FY 2021

- It has been one year since the pandemic shutdown began, closing schools throughout the U.S. and around the globe.

- A recent feature on *CBS Sunday Morning* reminded us of the many times Scholastic has been there to support educators and students throughout its 100-year history.

SUNDAY MORNING

CBS NEWS / *January 10, 2021, 9:58 AM*

Lessons from Scholastic

With the horror of what happened at the U.S. Capitol this past week still sinking in, there is an important question: How to explain it to America's children?

"Kids want to understand it," said Dick Robinson, president and CEO of Scholastic. "The Capitol is a symbol. It's very important to them."

And so, Robinson said, his editors immediately started posting stories for students on the websites of Scholastic magazines. "In fourth grade we'll explain it one way; in eighth grade we'll explain it another way," he said.

In fact, Scholastic – the largest publisher of children's magazines and books in the world – is just marking its 100th anniversary of helping children make sense of things:

"Our real personality is being in the lives of kids in school, helping them learn, millions and millions of kids," Robinson said.

Third Quarter FY 2021

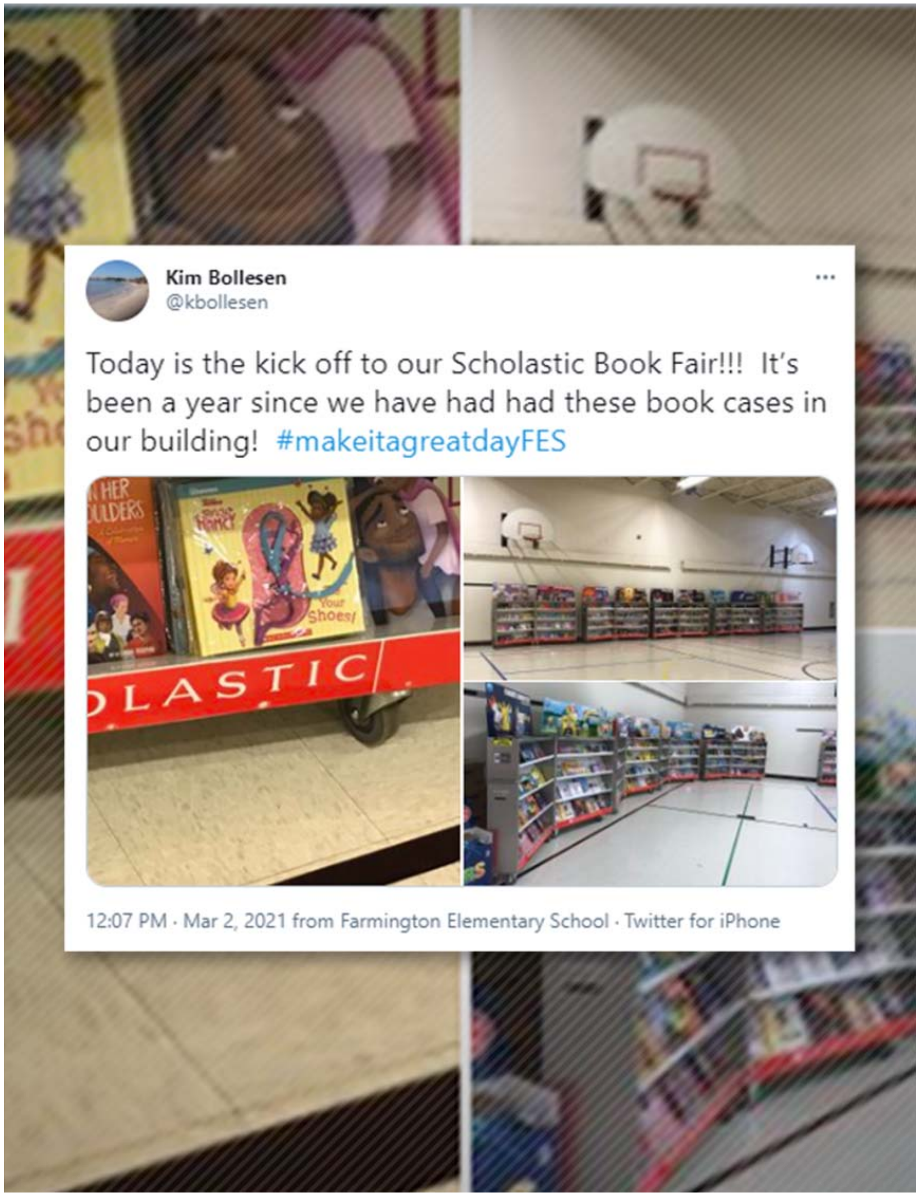
- In the third quarter, despite a $96 million, or 26%, decline in revenue, mainly in Book Fairs, we were able to lower our seasonal operating loss year-over-year because of significant cost reductions.

- For the nine months year-to-date, revenue declined by $304 million to approximately $900 million compared to our pre-COVID results last year, while operating income decreased by only $9.7 million excluding one-time items.

- Management's aggressive actions to change the Company's operating model and reduce its cost base have largely offset the bottom-line impact of pandemic-related disruptions and should provide greater operating leverage going forward.

Children's Book Publishing & Distribution

- As schools across the U.S. are returning to in-classroom instruction, the climate for book fairs is improving and we are continuing to tailor fair formats to enable safe, flexible experiences.
- There is an uptick in Q4 fair bookings to-date, enabled by our expanded marketing programs.
- In Clubs, we have sharply improved the bottom line, as we reengineer the business to drive profitability on reduced revenues.
- The Clubs pivot to home delivery options has led to higher revenue per transaction from parents, helping profitability.



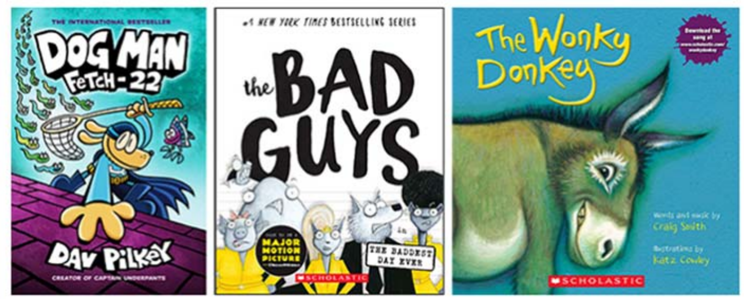
Children’s Book Publishing & Distribution

- Fiscal 2018 to-date, Trade publishing revenues have grown by approximately 50% domestically and 30% internationally.
- *Publishers Weekly* noted Scholastic’s “unstoppable” performance in children’s fiction.
- We are building the audience for our iconic characters and series through an increasing pipeline of streaming, television, and feature film development.
  - *Stillwater* on Apple TV+ has launched in 107 countries and was nominated for an Annie Award.
  - *Playing Cupid* was a ratings hit on the Hallmark Channel.

PUBLISHERS WEEKLY

Scholastic and PRH Remain Untouchable as Top Children's Publishers

By Jim Milliot | Feb 19, 2021



Scholastic’s trade group has been on a hot streak for over a year, and that performance is reflected in the publisher’s dominance of *PW’s* children’s fiction bestseller list in 2020. The company had 53 books that made the frontlist fiction chart last year, up from 43 in 2019. Those titles also averaged longer stays on the chart, occupying 574 bestseller list positions. There are 25 titles on each of *PW’s* weekly children’s lists, for a total of 1,300 positions on each list

International

- In our International segment, we have had significant growth in profits throughout the year, thanks in part to successful revenue increases in Trade.
- Fair counts in Canada and the U.K. declined due to COVID-19, however the impact on income was mitigated, in part, by cost savings programs. Fairs in Australia have continued to be strong.
- In Asia, we are investing in new English language learning products for schools and homes, and continue to expand our franchised schools and direct sales to parents via Internet marketers in China.
- We are also working with a local partner to develop digital content designed for English education and teaching solutions in Korea.

Education

- We are forming a new Education Solutions group that combines our classroom books and curriculum division with the classroom magazines, digital subscriptions, and teaching resources group, beginning June 1st.
- This new structure will put us in an excellent position to capture growth opportunities focused on literacy improvement.
- The unprecedented amount of federal stimulus funds dedicated to supporting K–12 education will be a “game changer” for educators and districts.

Courtesy of: Governor's Early Literacy Foundation

Summer Learning 2021

- Scholastic is putting resources behind areas that address both the urgent and longer-term needs of educators and students.

- Through book packs and other programs, we have a history of supporting summer learning success.

- We are well-positioned to be the ideal partner this summer because of our deep knowledge of how to engage kids in reading and accelerate learning.

- While our free summer reading program continues to serve as an entry point for many, this year we are creating new offers which build on what we know works well.

Scholastic Priorities

- Our major opportunities and priorities over the next years lie in the following areas:
  - rebuilding Book Fair revenues;
  - expanding the reach of our intellectual property through trade and international businesses, and developing more streaming, television, and feature film properties;
  - increasing investment in and expanding the reach of our Education content, especially digital;
  - enabling more parents to acquire children's books directly via home shipment;
  - growing our international English language learning business in Asia;
  - continuing to make it easier for customers to acquire products and information through our digital platforms; and
  - continuing to simplify processes and lower costs.

Kenneth Cleary

Chief Financial Officer

Q3 FY21 Earnings (before and after one-time items)

In $ Millions (except per share)

	Third Quarter 2021			Third Quarter 2020			Fiscal Year to Date 2021			Fiscal Year to Date 2020		
	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
Diluted earnings (loss) per share [1]	($0.41)	$0.26	($0.14)	($1.25)	$0.91	($0.34)	($0.54)	$0.65	$0.11	($0.89)	$1.03	$0.15
Net income (loss) [2]	($13.9)	$9.1	($4.8)	($43.3)	$31.4	($11.9)	($18.6)	$22.3	$3.7	($30.8)	$35.9	$5.1
Children's Book Publishing and Distribution [3]	($6.6)	$2.9	($3.7)	$2.2	$0.0	$2.2	$1.9	$2.9	$4.8	$70.1	$0.0	$70.1
Education	10.1	-	10.1	9.8	-	9.8	19.8	-	19.8	2.6	-	2.6
International [4]	(1.1)	0.2	(0.9)	(3.7)	-	(3.7)	23.3	2.8	26.1	4.3	-	4.3
Overhead [5]	(26.6)	9.2	(17.4)	(68.3)	43.2	(25.1)	(77.4)	24.1	(53.3)	(119.3)	49.4	(69.9)
Operating income (loss)	($24.2)	$12.3	($11.9)	($60.0)	$43.2	($16.8)	($32.4)	$29.8	($2.6)	($42.3)	$49.4	$7.1

1. Earnings (loss) per share are calculated on non-rounded net income (loss) and shares outstanding. Recalculating earnings per share based on numbers rounded to millions may not yield the results as presented.
2. In the three and nine months ended February 28, 2021, the Company recognized a benefit for income taxes in respect to one-time pretax charges of $3.2 and $7.5, respectively. In the three and nine months ended February 29, 2020, the Company recognized a benefit for income taxes in respect to one-time pretax charges of $11.8 and $13.5, respectively.
3. In the three and nine months ended February 28, 2021, the Company recognized pretax asset impairment of $2.4 and branch consolidation costs of $0.5 related to its plan to permanently close 12 out of its 54 book fair warehouses in the U.S.
4. In the three and nine months ended February 28, 2021, the Company recognized pretax severance of $0.2 and $2.5, respectively, and pretax branch consolidation costs of $0.0 and $0.3, respectively.
5. In the three and nine months ended February 28, 2021, the Company recognized pretax severance of $0.6 and $15.5, respectively, and pretax asset impairment charges of $8.5 and branch consolidation costs of $0.1 related to its plan to cease use of certain leased office space and consolidate into its company-owned New York headquarters building. In the three and nine months ended February 29, 2020, the Company recognized pretax severance of $3.2 and $6.9, respectively, and a pretax asset write down of $40.0 related to the Company's club and fair channels. In the nine months ended February 29, 2020, the Company recognized pretax settlement charges of $2.5.

Q3 FY21 Adjusted EBITDA

In $ Millions	Three Months Ended		Nine Months Ended	
	2/28/2021	2/29/2020	2/28/2021	2/29/2020
Earnings (loss) before income taxes as reported	($22.0)	($60.1)	($26.2)	($42.3)
One-time items before income taxes	12.3	43.2	29.8	49.4
Earnings (loss) before income taxes excluding one-time items	(9.7)	(16.9)	3.6	7.1
Interest (income) expense	1.7	(0.3)	4.1	(1.0)
Depreciation and amortization[1]	15.9	16.1	49.3	48.1
Amortization of prepublication costs	6.3	6.7	19.0	19.7
Adjusted EBITDA[2]	$14.2	$5.6	$76.0	$73.9

1. For the three and nine months ended February 28, 2021, amounts include depreciation of $0.8 and $2.4, respectively, recognized in cost of goods sold, amortization of deferred financing costs of $0.2 and $0.4, respectively, and amortization of capitalized cloud software of $0.2 and $0.5, respectively, recognized in selling, general and administrative expenses. For the three and nine months ended February 29, 2020, amounts include depreciation of $0.6 and $1.7, respectively, recognized in cost of goods sold, amortization of deferred financing costs of $0.1 and $0.2, respectively, and amortization of capitalized cloud software of $0.0 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.

Q3 FY21 Balance Sheet Items and Cash Flow

In $ Millions	Feb 28, 2021	Feb 29, 2020
Free cash flow (use) (3 month period ending)[1]	$5.5	$4.9
Free cash flow (use) (9 month period ending)[1]	$1.5	($25.9)
Accounts receivable, net	$238.0	$281.2
Inventories, net	$304.8	$307.7
Accounts payable	$134.3	$187.9
Accrued royalties	$77.6	$77.3
Total debt	$190.7	$16.1
Cash and cash equivalents	$353.2	$263.8
Net debt (cash)[2]	($162.5)	($247.7)

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 debt (cash) is defined by the Company as lines of credit and short-term debt plus long-term-debt, net of cash and cash equivalents. 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.

Q3 FY21 Revenues

In $ Millions	Three Months Ended				Nine Months Ended			
	2/28/2021	2/29/2020	Change		2/28/2021	2/29/2020	Change	
Book Clubs	$35.0	$43.4	($8.4)	(19%)	$107.7	$137.3	($29.6)	(27%)
Book Fairs	27.0	100.1	(73.1)	(73%)	87.9	351.7	($263.8)	nm
Consolidated Trade	79.3	76.7	2.6	3%	276.9	254.4	$22.5	8%
Total Children's Book Publishing and Distribution	141.3	220.2	(78.9)	(36%)	472.5	743.4	($270.9)	(57%)
Education	66.3	74.3	(8.0)	(11%)	187.4	192.6	($5.2)	(3%)
International	69.9	78.8	(8.9)	(11%)	239.0	267.1	($28.1)	(12%)
Total Revenues	$277.5	$373.3	($95.8)	(26%)	$898.9	$1,203.1	($304.2)	(34%)

Questions

For any questions, please contact Scholastic Investor Relations:

Investor_Relations@Scholastic.com

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