SCHOLASTIC

Fourth Quarter FY 2021 Earnings Call Presentation

Thursday, July 22, 2021

James Barge

Lead Independent Director

Iole Lucchese

Chair of the Board; EVP, Chief Strategy Officer, and President, Scholastic Entertainment

Kenneth Cleary

Chief Financial Officer

Peter Warwick

Incoming President and Chief Executive Officer

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.

James Barge

Lead Independent Director

Scholastic Continuity

- Business continuity plan in place since early June. Lead independent director along with key executive officers working in concert to ensure day-to-day operations carry on uninterrupted.

- Recent steps taken by Scholastic's Board to further solidify the future of the Company:
    - **New Board members elected:**
        - Iole Lucchese, also appointed Chair of the Board
        - Robert Dumont, as a designee of the Robinson family
    - **New President and Chief Executive Officer:** (effective August 1, 2021)
        - Peter Warwick, who will retain his board seat

Iole Lucchese

Chair of the Board; Executive Vice President, Chief Strategy Officer, and President, Scholastic Entertainment

Scholastic Overview & Strategy

- Dick Robinson left a lasting impact on publishing and children's education. For nearly 50 years, he led Scholastic's businesses, operations, and strategy.
- We will continue to support children in ways that no other company can, as we have during the recent unprecedented global pandemic and time of change.
- Dramatically improved results year-over-year across all business segments in Q4 and showed profitability, excluding one-time items, on the full year basis.
- We are well-poised for growth in fiscal year 2022.

Children's Book Publishing & Distribution

- Book Fairs continued to tailor the fair experience to meet the needs of schools as they re-opened in the spring, and intensified marketing drew positive results compared to prior year.
- We are looking forward to our Book Fairs' back-to-school season and are focusing on operational readiness and ensuring we have the right offerings, marketing, and strategies to meet schools' needs.
- Clubs revenues improved by $17.9 million in Q4 compared to prior year, as more teachers resumed in-classroom activities.

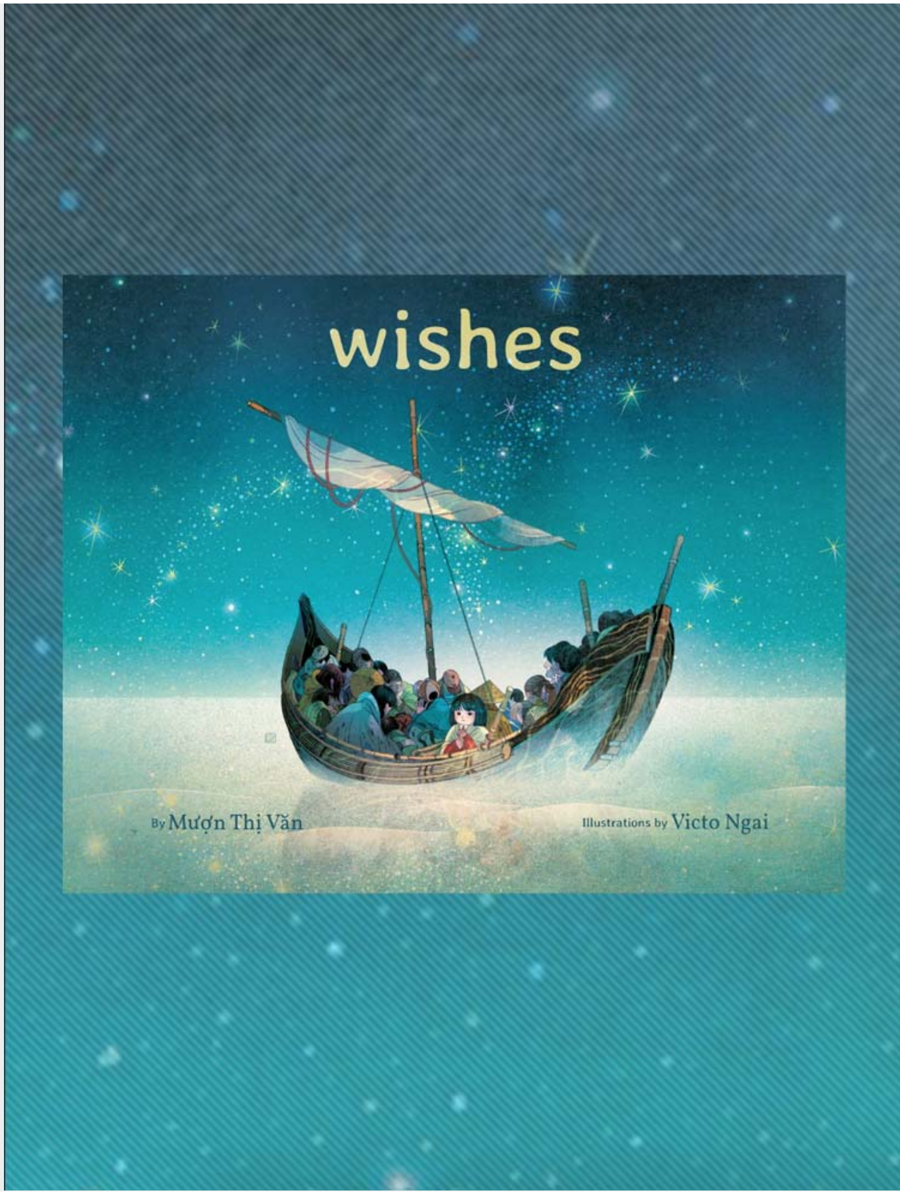
Image credit: Vanassa Photography

Children's Book Publishing & Distribution

- Graphic novels including Dav Pilkey's Dog Man® and Cat Kid Comic Club™ and the Baby-Sitters Club® continue to bring children to reading, while new picture books such as *Wishes* by Muon Thi Van and *Lala's Words* by Gracey Zhang solidify the power of diverse publishing.

- Exciting fall frontlist including Cat Kid Comic Club #2, The Baby-Sitters Club Graphic Novel #10 by Ann M. Martin, *The Brightest Night* by Tui T. Sutherland, and *The Christmas Pig* by J.K. Rowling.

- At Scholastic Entertainment, *Stillwater* on AppleTV+ won a Peabody Award and earned a Daytime Emmy® Award, and *Clifford the Big Red Dog*™ will be in theaters September 2021.



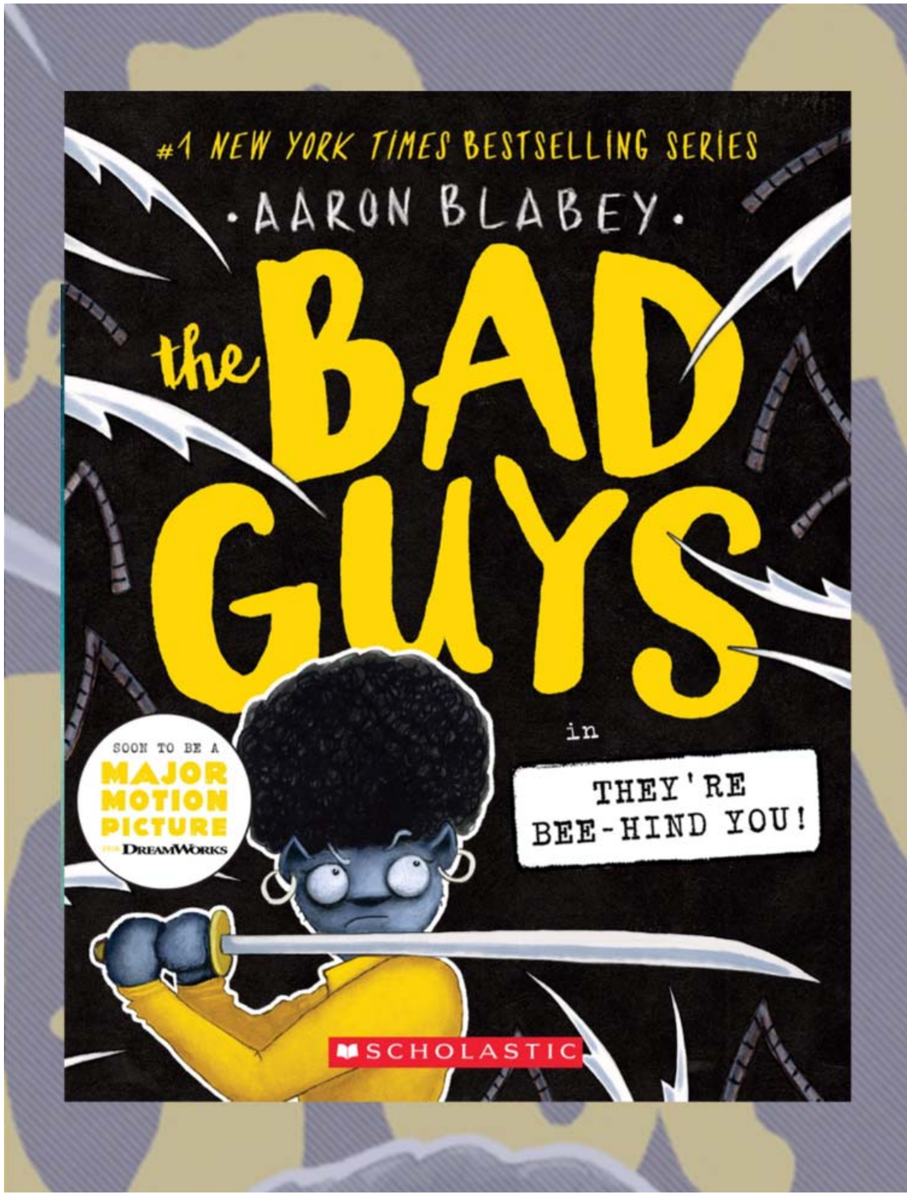
Education

- Our Education business saw a 9% full year growth in revenues due to close partnerships fostered with state, district, school, and classroom leaders.
- Strategic investments are being made in early education with *PreK On My Way*™ and social-emotional learning through our partnership with the Yale Child Study Center.
- Q4 showed higher year-over-year sales in most channels led by the district-level need and innovation around summer learning and classroom refreshes.
- Significant growth in teaching resources and digital subscription product bookings.

Image credit: Shawn Millsaps Photography

International

- Two highly-anticipated books, globally, in the coming fiscal year are from Australia-based author Aaron Blabey's The Bad Guys™ series.
- International clubs and fairs are beginning to recover and cost reductions support forward growth in the coming year.
- Asia remains a growth opportunity as we continually expand our reach through franchised schools and direct sales to parents.



Looking Ahead: Fiscal Year 2022

- There is positive momentum in fall fair bookings, while the overall climate still remains uncertain.
- Fourth quarter success in book clubs bodes well for our distribution channels.
- Trade will continue publishing books that resonate with kids and become part of contemporary culture as our content continues to be adapted for streaming, television, and film.
- Education will benefit from its streamlined approach as a combined group, and we are well-poised to help customers as they navigate a new normal and new funding streams.
- International will continue to have a diverse approach tailored to its markets, covering trade publishing, education content, and global distribution channels.

Kenneth Cleary

Chief Financial Officer

Financial Overview

- Pivoted resources to develop new distribution methods to meet customers' needs as a result of the pandemic:
    - Book Clubs ship-to-home
    - Virtual book fairs
    - Individual "take-home" book packs
    - Digital classroom magazines
- Streamlined processes and exceeded $100 million in cost savings; ≈$50 million expected to be permanent.

Q4 FY21 Balance Sheet Items and Cash Flow

In $ Millions	May 31, 2021	May 31, 2020
Free cash flow (use) (3 month period ending)[1]	$19.0	($63.2)
Free cash flow (use) (12 month period ending)[1]	$20.5	($89.1)
Accounts receivable, net	$256.1	$239.8
Inventories, net	$269.7	$270.6
Accounts payable	$138.0	$153.6
Accrued royalties	$45.5	$37.8
Total debt	$190.2	$218.5
Cash and cash equivalents	$366.5	$393.8
Net debt (cash)[2]	($176.3)	($175.3)

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.

Q4 and FY21 Adjusted EBITDA

	Three Months Ended		Twelve Months Ended	
	5/31/2021	5/31/2020	5/31/2021	5/31/2020
Earnings (loss) before income taxes as reported	$8.0	($47.4)	($18.2)	($89.7)
One-time items before income taxes	31.9	6.8	61.7	56.2
Earnings (loss) before income taxes excluding one-time items	39.9	(40.6)	43.5	(33.5)
Interest (income) expense	1.7	0.9	5.8	(0.1)
Depreciation and amortization[1]	15.6	15.9	64.9	64.0
Amortization of prepublication costs	6.4	6.5	25.4	26.2
Adjusted EBITDA[2]	$63.6	($17.3)	$139.6	$56.6

1. For the three and twelve months ended May 31, 2021, amounts include depreciation of $0.8 and $3.2, respectively, recognized in cost of goods sold, amortization of deferred financing costs of $0.1 and $0.5, respectively, and amortization of capitalized cloud software of $0.2 and $0.7, respectively, recognized in selling, general and administrative expenses. For the three and twelve months ended May 31, 2020, amounts include depreciation of $0.5 and $2.2, respectively, recognized in cost of goods sold, amortization of deferred financing costs of $0.1 and $0.3, 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.

Q4 and FY21 Earnings (before and after one-time items)

In $ Millions (except per share)

	Fourth Quarter 2021			Fourth 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]	$0.22	$0.68	$0.90	($0.38)	$0.15	($0.23)	($0.32)	$1.35	$1.02	($1.27)	$1.18	($0.08)
Net income (loss) [2]	$7.6	$23.9	$31.5	($13.0)	$5.0	($8.0)	($11.0)	$46.2	$35.2	($43.8)	$40.9	($2.9)
Children's Book Publishing and Distribution [3]	$11.8	$2.5	$14.3	($46.5)	$0.0	($46.5)	$13.7	$5.4	$19.1	$23.6	$0.0	$23.6
Education	40.8	-	40.8	27.3	-	27.3	60.6	-	60.6	29.9	-	29.9
International [4]	0.7	4.4	5.1	(10.8)	1.7	(9.1)	24.0	7.2	31.2	(6.5)	1.7	(4.8)
Overhead [5]	(43.6)	25.0	(18.6)	(16.2)	5.1	(11.1)	(121.0)	49.1	(71.9)	(135.5)	54.5	(81.0)
Operating income (loss)	$9.7	$31.9	$41.6	($46.2)	$6.8	($39.4)	($22.7)	$61.7	$39.0	($88.5)	$56.2	($32.3)

1. 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.
2. In the three and twelve months ended May 31, 2021, the tax impact in respect to one-time pretax charges was $8.0 and $15.5, respectively. In the three and twelve months ended May 31, 2020, the tax impact in respect to one-time pretax charges was $1.8 and $15.3, respectively.
3. In the three and twelve months ended May 31, 2021, the Company recognized pretax asset impairment of $0.2 and $2.6, respectively, and branch consolidation costs of $2.3 and $2.8, respectively, related to its plan to permanently close 13 of its 54 book fair warehouses in the U.S.
4. In the three and twelve months ended May 31, 2021, the Company recognized pretax severance of $0.1 and $2.6, respectively, and pretax branch consolidation and other business rationalization costs of $4.3 and $4.6, respectively. In the three and twelve months ended May 31, 2020, the Company recognized pretax severance of $1.1 and a pretax impairment charge of $0.6 related to an outdated technology platform in Canada.
5. In the three and twelve months ended May 31, 2021, the Company recognized pretax mediation-assisted settlement charges of $20.0 related to intellectual property used in formerly owned products and pretax severance of $5.0 and $20.5, respectively. In the twelve months ended May 31, 2021, the Company recognized pretax asset impairment charges of $8.5 and branch consolidation costs of $0.1, respectively, related to its plan to cease use of certain leased office space in New York City and consolidate into its company-owned New York headquarters building. In the three and twelve months ended May 31, 2020, the Company recognized pretax severance of $5.1 and $12.0, respectively. In the twelve months ended May 31, 2020, the Company recognized pretax asset write down of $40.0 related to the Company's club and fair channels and pretax settlement charges of $2.5.

Q4 and FY21 Revenues

In $ Millions

	Three Months Ended				Twelve Months Ended			
	5/31/2021	5/31/2020	Change		5/31/2021	5/31/2020	Change	
Book Clubs	$37.4	$19.5	$17.9	92%	$145.1	$156.8	($11.7)	(7%)
Book Fairs	76.4	32.1	44.3	138%	164.3	383.8	(219.5)	(57%)
Consolidated Trade	78.4	80.4	(2.0)	(2%)	355.3	334.8	20.5	6%
Total Children's Book Publishing and Distribution	192.2	132.0	60.2	46%	664.7	875.4	(210.7)	(24%)
Education	124.9	94.7	30.2	32%	312.3	287.3	25.0	9%
International	84.3	57.3	27.0	47%	323.3	324.4	(1.1)	(0%)
Total Revenues	$401.4	$284.0	$117.4	41%	$1,300.3	$1,487.1	($186.8)	(13%)

FY22 Outlook

- Strong demand for products and solutions as schools return to in-person instruction
- Leveraging our IP across platforms
- Direct sales and marketing to parents
- Investing in long-term Education Solutions growth
- Growth in Asia through English language learning solutions
- Continued simplification of processes

Peter Warwick

Incoming President and Chief Executive Officer

Closing Remarks

- Scholastic will continue to:
  - Do what it does best—be a trusted partner to schools and families.
  - Support its school customers in meeting their top priorities:
    - Safety of students and teachers;
    - Desire to accelerate learning from lost classroom time; and
    - Meet the social-emotional needs of their students.
  - Remain a trusted brand for families to turn to when they are supporting their children's learning, personal growth, and natural curiosity in the world.

Questions

For any questions, please contact Scholastic Investor Relations:

Investor_Relations@Scholastic.com

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