



First Quarter 2025 Earnings Call Presentation

Thursday, September 26, 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.



Peter Warwick

President and Chief Executive Officer

First Quarter 2025 Highlights

- Q1 revenue up, reflecting the addition of 9 Story Media Group, and seasonal operating loss improved
- Returned over \$10 million to shareholders in Q1 through share repurchases and our dividend
- Readied School Book Fairs and Clubs for important back-to-school season
- Continued to execute on compelling long-term growth initiatives across Company
- Affirming FY25 guidance: continue to target modest top-line and bottom-line growth

First Quarter 2025 Segment Highlights

- Children's Books revenues increased 3%, reflecting higher revenues in the Trade channel
 - Scholastic-published titles maintained presence on multiple best seller lists, with exciting new titles from global franchises launching this fall and spring
 - Book Fairs on track to achieve target of 90,000 fairs in FY25
 - New strategies implemented in Book Clubs generating higher teacher and sponsor participation
- Entertainment division contributed positively to revenue and EBITDA, on the contribution of 9 Story Media Group
 - Accelerating progress with development, production and monetization of key franchises
- Education Solutions revenues declined 16%, reflecting lower spending on supplemental curriculum products
 - Updated and new literacy programs in development, expected in market next fiscal year
- International revenues in-line with the prior year



Haji Glover

Chief Financial Officer and Executive Vice President

First Quarter Results

In \$ Millions	First Quarter			
	Fiscal 2025	Fiscal 2024	Change	
Revenues	\$ 237.2	\$ 228.5	\$ 8.7	4 %
Operating income (loss)	\$ (88.5)	\$ (99.1)	\$ 10.6	11 %
Earnings (loss) before taxes	\$ (91.8)	\$ (98.0)	\$ 6.2	6 %
Diluted earnings (loss) per share	\$ (2.21)	\$ (2.35)	\$ 0.14	6 %
Operating income (loss), ex. one-time items	\$ (85.6)	\$ (92.8)	\$ 7.2	8 %
Diluted earnings (loss) per share, ex. one-time items	\$ (2.13)	\$ (2.20)	\$ 0.07	3 %
Adjusted EBITDA ⁽¹⁾	\$ (60.5)	\$ (70.6)	\$ 10.1	14 %

1. 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.

First Quarter Segment Results (excluding one-time items)

In \$ Millions	Three Months Ended		
	08/31/2024	08/31/2023	Change
Children's Book Publishing and Distribution ⁽¹⁾			
School Reading Events	\$ 31.5	\$ 29.9	5 %
Consolidated Trade	73.9	72.5	2 %
Total Revenues	105.4	102.4	3 %
Operating income (loss)	(36.6)	(41.0)	11 %
Education Solutions			
Revenues	55.7	66.0	(16) %
Operating income (loss)	(17.0)	(18.7)	9 %
Entertainment ⁽¹⁾			
Revenues	16.6	0.4	NM
Operating income (loss)	1.2	(0.5)	NM
International			
Revenues	56.8	57.2	(1) %
Operating income (loss)	(8.3)	(7.0)	(19) %
Overhead			
Revenues	2.7	2.5	8 %
Operating income (loss)	(24.9)	(25.6)	3 %
Operating income (loss)	\$ (85.6)	\$ (92.8)	8 %

NM - Not meaningful

- The newly formed Entertainment segment includes the operations of Scholastic Entertainment Inc. (SEI), which were included in the Children's Book Publishing and Distribution segment in prior periods, and 9 Story Media Group. The financial results for SEI for the three months ended August 31, 2023 have been reclassified to Entertainment to reflect this change.

First Quarter Balance Sheet and Cash Flow Results

In \$ Millions	August 31, 2024	August 31, 2023
Free cash flow (use) (3 month period ending) ⁽¹⁾	\$ (68.7)	\$ (57.8)
Accounts receivable, net	\$ 201.1	\$ 201.9
Inventories, net	310.3	353.2
Accounts payable	184.0	167.7
Deferred revenue	173.9	171.1
Accrued royalties	77.5	72.0
Film related obligations	34.1	—
Lines of credit and long-term debt	231.1	5.9
Cash and cash equivalents	84.1	125.8
Net cash (debt) ⁽²⁾	(152.1)	119.9

- 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 and adjusted for net cash flows from film related obligations. 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.
- Net cash (debt) is defined by the Company as cash and cash equivalents less production cash of \$5.1 as of August 31, 2024, net of lines of credit, short-term and long-term debt. Film related obligations are not included. 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.

Fiscal 2025 Outlook

- Affirming FY25 Guidance for revenue growth of 4% to 6% and Adjusted EBITDA of \$140 million to \$150 million
 - Reflecting timing of Trade Publishing release schedule and Education Solutions sales, Q2 results expected to be moderately lower year-over-year, more than offset by strength in H2
- Free cash flow outlook remains between \$20 to \$30 million
 - Reflecting growth investments, anticipated working capital needs
- Continued commitment to capital allocation priorities



Peter Warwick

President and Chief Executive Officer



Q&A



Appendix

First Quarter Adjusted EBITDA

In \$ Millions	Three Months Ended	
	8/31/2024	8/31/2023
Earnings (loss) before income taxes as reported	\$ (91.8)	\$ (98.0)
One-time items before income taxes	2.9	6.3
Earnings (loss) before income taxes excluding one-time items	(88.9)	(91.7)
Interest (income) expense ⁽¹⁾	3.4	(1.4)
Depreciation and amortization ⁽²⁾	25.0	22.5
Adjusted EBITDA ⁽³⁾	\$ (60.5)	\$ (70.6)

1. For the three months ended August 31, 2024, amount includes production loan interest of \$0.4 amortized into cost of goods sold.
2. For the three months ended August 31, 2024 and August 31, 2023, amounts include prepublication and production cost amortization of \$6.7 and \$6.7, respectively, and depreciation of \$0.7 and \$0.6, 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 \$2.2 and \$1.7, respectively, recognized in selling, general and administrative expenses.
3. 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.

First Quarter Earnings (before and after one-time items)

In \$ Millions (except per share)

	First Quarter Fiscal 2025			First Quarter Fiscal 2024		
	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items
Diluted earnings (loss) per share ⁽¹⁾	\$ (2.21)	\$ 0.08	\$ (2.13)	\$ (2.35)	\$ 0.15	\$ (2.20)
Net income (loss) ⁽²⁾	\$ (62.5)	\$ 2.2	\$ (60.3)	\$ (74.2)	\$ 4.7	\$ (69.5)
Earnings (loss) before income taxes	\$ (91.8)	\$ 2.9	\$ (88.9)	\$ (98.0)	\$ 6.3	\$ (91.7)
Children's Book Publishing and Distribution ⁽³⁾	\$ (36.6)	\$ —	\$ (36.6)	\$ (41.0)	\$ —	\$ (41.0)
Education Solutions	(17.0)	—	(17.0)	(18.7)	—	(18.7)
Entertainment ^{(3) (4)}	(0.5)	1.7	1.2	(0.5)	—	(0.5)
International ⁽⁵⁾	(8.3)	—	(8.3)	(8.2)	1.2	(7.0)
Overhead ⁽⁶⁾	(26.1)	1.2	(24.9)	(30.7)	5.1	(25.6)
Operating income (loss)	\$ (88.5)	\$ 2.9	\$ (85.6)	\$ (99.1)	\$ 6.3	\$ (92.8)

- 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 months ended August 31, 2024 and August 31, 2023, the Company recognized a benefit of \$0.7 and \$1.6, respectively, for income taxes in respect to one-time pretax items.
- The newly formed Entertainment segment includes the operations of Scholastic Entertainment Inc. (SEI), which were included in the Children's Book Publishing and Distribution segment in prior periods, and 9 Story Media Group. The financial results for SEI for the three months ended August 31, 2023 have been reclassified to Entertainment to reflect this change.
- In the three months ended August 31, 2024, the Company recognized pretax costs of \$1.7 related to the acquisition of 9 Story Media Group.
- In the three months ended August 31, 2023, the Company recognized pretax severance of \$1.2 related to cost-savings initiatives.
- In the three months ended August 31, 2024 and August 31, 2023, the Company recognized pretax severance of \$1.2 and \$5.1, respectively, related to cost-savings initiatives.

