



FIRST QUARTER FISCAL YEAR 2016 EARNINGS PRESENTATION

September 24, 2015



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 earnings release, which is posted on the Company's investor relations website at investor.scholastic.com.



Dick Robinson

Chief Executive Officer, President
and Chairman



First Quarter 2016 Results

- Strong performance in classroom books, branded libraries, and summer reading programs, as well as trade fall list
- Revenues increased \$0.7 million to \$191.2 million
- Operating loss, excluding one-time items, improved \$5.1 million to \$77.1 million
- Seasonal first quarter loss per share from continuing operations of \$1.46 vs. loss of \$1.67 in the prior year period, a 13% improvement
- Free cash use, excluding EdTech tax payment, of \$117.2 million, as expected, vs. use of \$76.9 million in prior year
- Expect seasonal pattern for revenue and cash flow to be even more correlated to the school year following EdTech sale



Compelling Opportunities

- Strong demand for high-quality literature and learning materials to motivate and engage children
- Children's book market exhibiting solid growth
 - Annual unit sales of children's books exceeded adult's in 2014 – buoyed by focus on the importance of reading in school and at home
- Market dynamics and focus on independent reading will help support company-wide growth

Source: Association of American Publishers





Children's Book Publishing and Distribution

- Together clubs, fairs, and trade provide both the product and the distribution capabilities to reach millions of children and parents
- First quarter trade revenue +22% year-over-year bolstered by strong fall frontlist titles, including:
 - *Star Wars: Jedi Academy #3: The Phantom Bully*
 - *Captain Underpants and the Sensational Saga of Sir Stinks-A-Lot* by Dav Pilkey
 - Ann Martin's *The Baby-Sitters Club*®: *The Truth About Stacey*, the second graphic novel adapted by Raina Telgemeier
 - And continuing strong sales of Harry Potter and Minecraft
- More exciting titles in the pipeline, including:
 - Brian Selznick's highly-anticipated *The Marvels*
 - *The Keeper* by David Baldacci
 - *Harry Potter and the Sorcerer's Stone: Illustrated Edition*



International

- Businesses are performing well year-over-year based on local currencies
- Seasonal operating loss improved by 10%
- Acquisition of Travelling Book Company, a UK book fair business
 - Will add approximately 7,000 fairs to Scholastic UK's already market-leading position across the UK and Ireland
- Growing education business internationally
 - Singapore publishing hub where PR1ME™ Mathematics product was developed, will continue to provide other educational product to be sold globally
- Expect global demand for English language books and instructional materials to grow despite macroeconomic headwinds in emerging markets

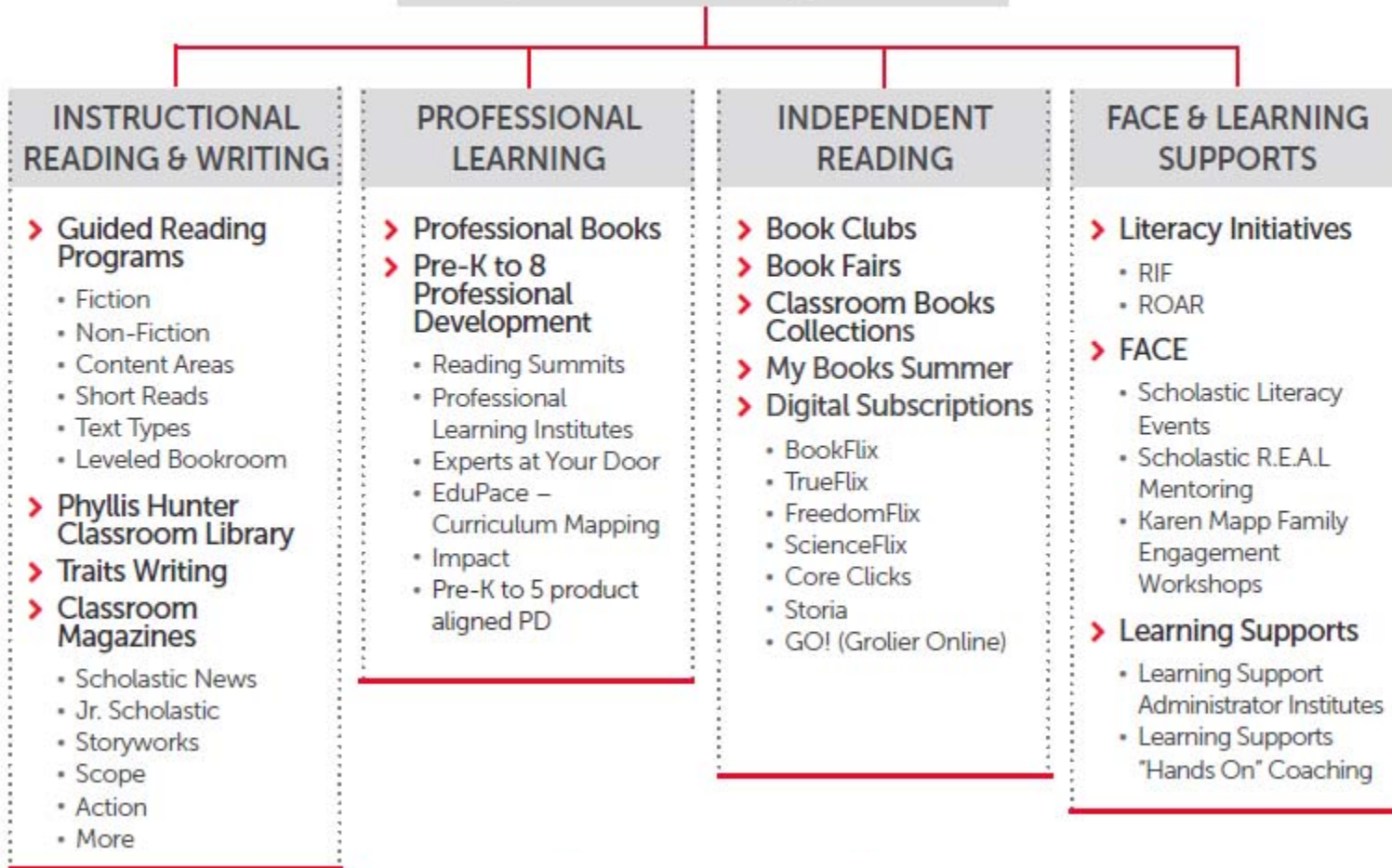


Education

- Growing market for children's books is driving momentum in Scholastic's Education business
- First quarter revenue was \$50 million, up 7% vs. prior year period
- Educators recognize the importance of independent reading as a critical component of a comprehensive literacy solution
 - Teachers and administrators are customizing their classroom curriculum beyond textbooks to keep students motivated and develop the higher level thinking skills they need to succeed
 - Vast collection of books and learning materials, along with consultancy and services, to meet the specific needs of each individual community of learners
- Added top education experts to Scholastic's leadership team
- Developing new complementary content in professional learning and family engagement



Comprehensive Literacy Solutions





Capital Allocation Aligned With Mission

- Continue to weigh alternatives for the appropriate use of capital, including opportunities to invest in growth
- Significant net cash proceeds from sale of EdTech business
- Balance on-going capital needs of the business with share buybacks and quarterly dividends
- Solid history of shareholder enhancement activities



Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and CFO



Income Statement – Adjusted Earnings Per Share

In \$ Millions (except per share)	First Quarter 2016			First Quarter 2015		
	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items
Revenues	\$191.2		\$191.2	\$190.5		\$190.5
Cost of goods sold ¹	114.5	-	114.5	113.4	(0.1)	113.3
Selling, general and administrative expenses ²	144.2	(2.4)	141.8	148.9	(4.5)	144.4
Bad debt expense	1.5	-	1.5	1.9	-	1.9
Depreciation and amortization	10.5	-	10.5	13.1	-	13.1
Total operating costs and expenses	270.7	(2.4)	268.3	277.3	(4.6)	272.7
Operating income (loss) from continuing operations	(\$79.5)	\$2.4	(\$77.1)	(\$86.8)	\$4.6	(\$82.2)
Interest expense, net	0.1		0.1	0.9		0.9
Provision (benefit) for income taxes	(30.7)	1.0	(29.7)	(33.8)	1.9	(31.9)
Earnings (loss) from continuing operations	(\$48.9)	\$1.4	(\$47.5)	(\$53.9)	\$2.7	(\$51.2)
Earnings (loss) from discontinued operations, net of tax	(0.5)		(0.5)	19.8		19.8
Net Income (loss)	(\$49.4)	\$1.4	(\$48.0)	(\$34.1)	\$2.7	(\$31.4)
Earnings (loss) per diluted share from continuing operations	(1.46)	0.04	(1.42)	(1.67)	0.08	(1.59)
Earnings (loss) per diluted share from discontinued operations, net of tax	(0.02)		(0.02)	0.62		0.62
Earnings (loss) per diluted share	(1.48)	0.04	(1.44)	(1.05)	0.08	(0.97)

1. In the three months ended August 31, 2014, the Company recognized a pretax charge related to unabsorbed burden associated with the former EdTech business of \$0.1.
2. In the three months ended August 31, 2015, the Company recognized a pretax charge related to a warehouse optimization project in the Company's book fairs operations of \$1.0 and pretax severance expense of \$1.4 as part of cost reduction programs. In the three months ended August 31, 2014, the Company recognized a pretax charge related to unabsorbed burden associated with the former EdTech business of \$3.8 and pretax severance expense of \$0.7 as part of cost reduction and restructuring programs.



Segment Results – Adjusted for One-Time Items

In \$ Millions (except per share)	First Quarter 2016			First Quarter 2015		
	As	One-Time	Excluding	As	One-Time	Excluding
	Reported	Items	One-Time Items	Reported	Items	One-Time Items
Children's Book Publishing and Distribution						
Revenue						
Book Clubs	\$8.1		\$8.1	\$8.4		\$8.4
Book Fairs	12.7		12.7	11.8		11.8
Consolidated Trade	47.3		47.3	38.8		38.8
Total revenue	68.1		68.1	59.0		59.0
Operating income (loss) ¹	(57.5)	1.0	(56.5)	(60.8)	-	(60.8)
	-		-	-		-
Education						
Revenue	50.0		50.0	46.8		46.8
Operating income (loss)	(2.8)	-	(2.8)	(2.6)	-	(2.6)
	-		-	-		-
International						
Revenue	73.1		73.1	84.7		84.7
Operating income (loss)	(2.7)	-	(2.7)	(3.0)	-	(3.0)
	-		-	-		-
Corporate overhead ²	\$16.5	(\$1.4)	\$15.1	\$20.4	(\$4.6)	\$15.8
Operating income (loss) from continuing operations	(\$79.5)	\$2.4	(\$77.1)	(\$86.8)	\$4.6	(\$82.2)

1. In the three months ended August 31, 2015, the Company recognized a pretax charge related to a warehouse optimization project in the Company's book fairs operations of \$1.0.
2. In the three months ended August 31, 2015, the Company recognized pretax severance expense of \$1.4 as part of cost reduction programs. In the three months ended August 31, 2014, the Company recognized a pretax charge related to unabsorbed burden associated with the former EdTech business of \$3.9 and pretax severance expense of \$0.7 as part of cost reduction and restructuring programs.



Free Cash Flow & Net Debt

In \$ Millions	<u>Aug 31, 2015</u>	<u>Aug 31, 2014</u>
Free cash flow (use) (3 month period ending) excluding taxes paid on sale of EdTech ¹	(\$117.2)	(\$76.9)
Accounts receivable, net	\$148.0	\$156.3
Inventories, net	\$367.0	\$376.3
Accounts payable	\$224.3	\$219.5
Accrued royalties	\$39.8	\$42.9
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Total debt	\$5.7	\$198.9
Cash and cash equivalents	250.3	15.4
Net debt ²	(\$244.6)	\$183.5

1. Free cash flow (use) 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
2. 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



Affirmed FY 2016 Outlook

Metric	Guidance
Revenue	≈ \$1.7 billion
Earnings from Continuing Operations ¹	\$1.35 - \$1.55 per diluted share
Free Cash Flow	\$35 - \$45 million
Capital Expenditures	\$40 - \$50 million
Prepublication/Production Spending	\$30 - \$40 million

1. Outlook for EPS and operating income **excludes** severance and other special one-time items associated with restructuring actions, as well as non-cash, non-operating items.
2. Outlook for Free Cash Flow **excludes** taxes paid on the gain on the sale of EdTech.



Dick Robinson – Closing Comments



Questions & Answers

Participants

- Richard Robinson
- Maureen O'Connell
- Judy Newman, School Book Clubs and E-Commerce
- Ellie Berger, Trade Group

