SCHOLASTIC

Third Quarter FY 2023 Earnings Call Presentation

Thursday, March 23, 2023

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

Third Quarter FY 2023

- Lower results in seasonally small Q3 reflect continuing near-term market headwinds: soft retail bookselling market and longer education selling cycles
- Updated FY23 guidance based on Q3 results and current outlook for seasonally important Q4
- Steps taken to align short-term spending with revised top-line outlook; focused on initiatives to improve margins
- Reflecting confidence in long-term outlook, returned over $53 million to shareholders in Q3 while continuing to invest in growth initiatives

Children's Book Publishing & Distribution

- Segment revenue grew 1%, outperforming overall children's book market
- Book Fairs revenues up $27.5M (36%) with higher fair count and revenue per fair, demonstrating unique value proposition of Scholastic school channels
- Book Clubs revenues declined $12.8M, in line with expectations, as prior year period benefited from one-time shipping backlog
- Trade revenues declined $11.7M, reflecting softness in retail market which primarily impacted backlist
    - Continued strong frontlist performance, especially in graphic novel category
    - Upcoming releases include Dav Pilkey's next *Dog Man*® book and launch of *Eva the Owlet*™ on Apple TV+™

Education Solutions

- Q3 sales down 9%, reflecting longer selling cycles that delay sales into Q4 and fiscal 2024
- Sales of supplemental print programs and collections impacted
- Revenues from our state-sponsored programs remained solid against a big prior-year comparison; announced new partnership with Louisiana
- Announced Ready4Reading™, new simple-to-implement, print and digital K-3 phonics program, strongly aligned with Science of Reading

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READY4READING™

International

- Revenues decreased 18% in local currency, partly driven by the exit of unprofitable direct-to-consumer business in Asia in Q1

- Results most impacted by challenging market conditions and lower Trade sales in Canada, the UK and Australia

- Continued strong performance in Book Fairs internationally

Capital Allocation

- Continued commitment to deploying capital for strategy growth, maintaining a strong balance sheet and returning excess cash to shareholders
- Over $53M returned to shareholders in Q3, through increased dividend and expanded open market share repurchases, reflecting optimism in long-term outlook
    - Nearly $100M returned year to date
- In support of this progress, Board has authorized additional $50M for open-market share repurchases

Outlook

- Revised FY23 guidance based on Q3 results and updated outlook for seasonally important Q4, both impacted by short-term headwinds in retail bookselling and U.S. educational materials markets
  - Revenue growth of approximately 4% (previously 8% to 10%)
  - Adjusted EBITDA of $175M to $185M (previously $195M to $205M)
- Continued positive long-term outlook for importance of children's books and of solutions to raise literacy rates remains as strong as ever, and confidence in Scholastic's unique ability to meet these critical needs

Kenneth Cleary

Chief Financial Officer

Q3 FY23 Adjusted EBITDA

In $ Millions	Three Months Ended 2/28/2023	Three Months Ended 2/28/2022	Nine Months Ended 2/28/2023	Nine Months Ended 2/28/2022
Earnings (loss) before income taxes as reported	$ (26.2)	$ (19.8)	$ 16.8	$ 36.0
One-time items before income taxes	—	2.8	—	(6.7)
Earnings (loss) before income taxes excluding one-time items	(26.2)	(17.0)	16.8	29.3
Interest (income) expense	(1.4)	0.4	(2.3)	2.2
Depreciation and amortization [1]	16.1	16.1	48.3	49.0
Amortization of prepublication costs	6.1	6.4	18.5	19.9
Adjusted EBITDA [2]	$ (5.4)	$ 5.9	$ 81.3	$ 100.4

1. For the three and nine months ended February 28, 2023, amounts include depreciation of $0.9 and $2.5, 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 $1.6 and $4.6, respectively, recognized in selling, general and administrative expenses. For the three and nine months ended February 28, 2022, amounts include depreciation of $1.0 and $2.9, respectively, recognized in cost of goods sold, amortization of deferred financing costs of $0.0 and $0.3, respectively, and amortization of capitalized cloud software of $1.5 and $2.8, respectively, 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 FY23 Balance Sheet Items and Cash Flow

In $ Millions	February 28, 2023	February 28, 2022
Free cash flow (use) (3 month period ending) [(1)]	$ (11.9)	$ 23.4
Free cash flow (use) (9 month period ending) [(1)]	$ (25.7)	$ 147.9
Accounts receivable, net	$ 261.7	$ 287.7
Inventories, net	$ 367.5	$ 299.4
Accounts payable	$ 158.4	$ 173.4
Deferred revenue	$ 203.0	$ 176.8
Accrued royalties	$ 83.2	$ 84.2
Total debt	$ 5.2	$ 13.7
Cash and cash equivalents	$ 198.8	$ 308.9
Net cash (debt) [(2)]	$ 193.6	$ 295.2

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 cash (debt) is defined by the Company as cash and cash equivalents, net of lines of credit and short-term debt plus long-term-debt. 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 FY23 Segment Revenues

In $ Millions	Three months ended				Nine months ended			
	2/28/2023	2/28/2022	Change		2/28/2023	2/28/2022	Change	
Book Clubs	$ 27.7	$ 40.5	$ (12.8)	(32)%	$ 91.6	$ 99.2	$ (7.6)	(8)%
Book Fairs	103.5	76.0	27.5	36 %	372.6	268.2	104.4	39 %
Consolidated Trade	72.8	84.5	(11.7)	(14)%	282.8	301.9	(19.1)	(6)%
Total Children's Book Publishing and Distribution	204.0	201.0	3.0	1 %	747.0	669.3	77.7	12 %
Education Solutions	70.0	77.2	(7.2)	(9)%	223.2	236.8	(13.6)	(6)%
International	50.9	66.3	(15.4)	(23)%	205.5	222.4	(16.9)	(8)%
Total Revenues	$ 324.9	$ 344.5	$ (19.6)	(6)%	$ 1,175.7	$ 1,128.5	$ 47.2	4 %

Peter Warwick

President and Chief Executive Officer

Questions

For any questions, please contact Scholastic Investor Relations:

Investor_Relations@Scholastic.com

Q3 FY23 Earnings (before and after one-time items)

In $ Millions (except per share)

	Third Quarter 2023			Third Quarter 2022			Fiscal Year to Date 2023			Fiscal Year to Date 2022		
	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)	$ (0.57)	$ —	$ (0.57)	$ (0.44)	$ 0.06	$ (0.38)	$ 0.30	$ —	$ 0.30	$ 0.80	$ (0.14)	$ 0.67
Net income (loss) (2)	$ (19.2)	$ —	$ (19.2)	$ (15.3)	$ 2.1	$ (13.2)	$ 10.6	$ —	$ 10.6	$ 28.8	$ (4.9)	$ 23.9
Earnings (loss) before income taxes (3)	$ (26.2)	$ —	$ (26.2)	$ (19.8)	$ 2.8	$ (17.0)	$ 16.8	$ —	$ 16.8	$ 36.0	$ (6.7)	$ 29.3
Children's Book Publishing and Distribution	$ 1.9	$ —	$ 1.9	$ 5.0	$ —	$ 5.0	$ 85.0	$ —	$ 85.0	$ 68.5	$ —	$ 68.5
Education Solutions	0.7	—	0.7	13.1	—	13.1	3.4	—	3.4	36.0	—	36.0
International (4)	(9.0)	—	(9.0)	(5.0)	0.4	(4.6)	(5.8)	—	(5.8)	2.0	1.1	3.1
Overhead (5)	(21.3)	—	(21.3)	(32.6)	2.4	(30.2)	(68.3)	—	(68.3)	(74.6)	(1.6)	(76.2)
Operating income (loss)	$ (27.7)	$ —	$ (27.7)	$ (19.5)	$ 2.8	$ (16.7)	$ 14.3	$ —	$ 14.3	$ 31.9	$ (0.5)	$ 31.4

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 nine months ended February 28, 2022, the Company recognized a benefit of $0.7 and a provision of $1.8, respectively, for income taxes in respect to one-time pretax items.
3. In the nine months ended February 28, 2022, the Company recognized pretax gain on the sale of its Lake Mary facility of $6.2 .
4. In the three and nine months ended February 28, 2022, the Company recognized pretax severance of $0.1 and $0.7, respectively, and branch consolidation costs of $0.3 and $0.4, respectively.
5. In the three and nine months ended February 28, 2022, the Company recognized pretax severance of $2.4 and $5.0, respectively. In the nine months ended February 28, 2022, the Company recognized $6.6 of insurance proceeds related to an intellectual property legal settlement accrued in fiscal 2021.