



 **SCHOLASTIC**

Third Quarter FY 2022 Earnings Call Presentation

Thursday, March 17, 2022

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.

Peter Warwick

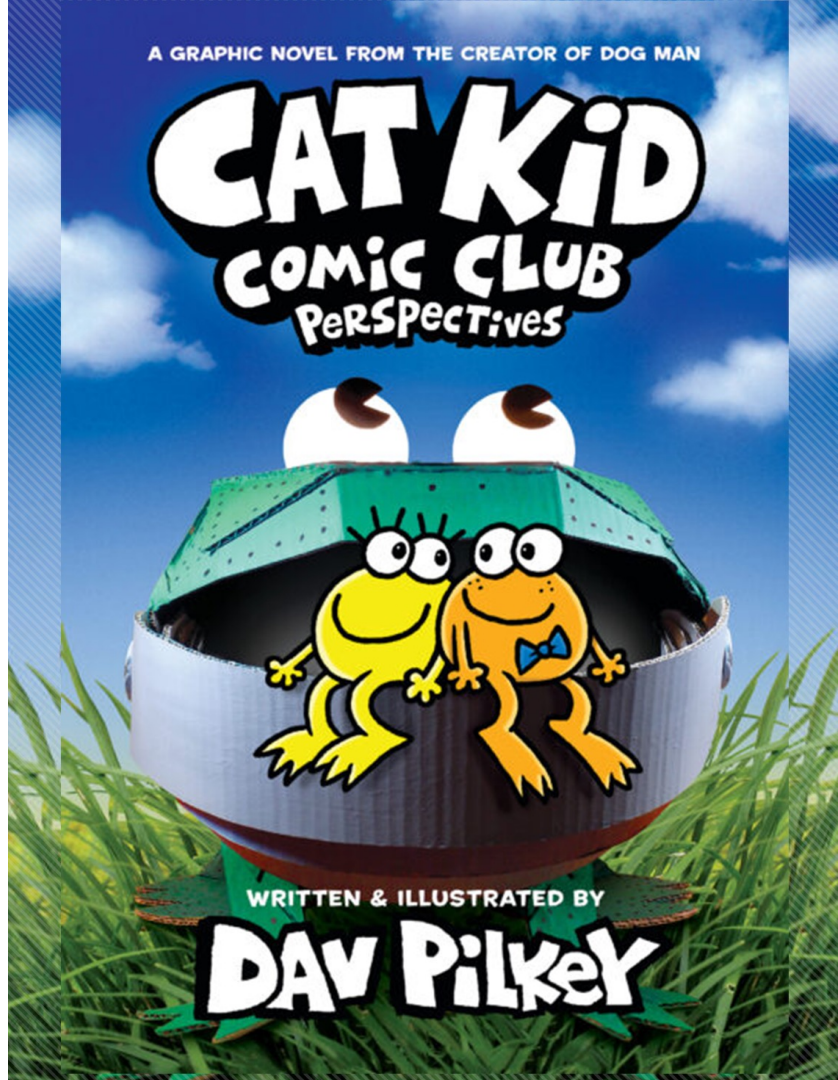
President and Chief Executive Officer

Third Quarter FY 2022

- We are deeply saddened and concerned by events in Ukraine. We are focused on how we can support children in deciphering these challenging times and while financial exposure is limited, we have suspended business dealings with Russia.
- Turning to our results, a number of themes drove positive momentum this past quarter including our intellectual property, which continues to lead the industry, the return of in-school fairs, book clubs customer loyalty and a unified approach to the education business.
- Revenues increased 24% to \$344.5 million, versus \$277.5 million in prior year period.

Children's Book Publishing & Distribution

- Dav Pilkey led a number of bestseller lists in 2021 with titles from both Dog Man® and Cat Kid Comic Club® series.
- Aaron Blabey's The Bad Guys™ - a highly-anticipated animated feature with Dreamworks® debuts in April.
- Scholastic Entertainment continues to bring backlist IP to the forefront; recently announced are the greenlit live-action series of Goosebumps® with Disney+™ and season 2 of the animated *Stillwater*™ on AppleTV™.



Children's Book Publishing & Distribution

- We are maintaining 70% of our pre-pandemic levels of in-person fairs.
- Revenue per fair remains strong and children and adults are thrilled to have fairs coming back to their schools.
- Book Clubs is seeing continued loyalty from teachers.
- The previous backlog in clubs orders is fully rectified, all critical system issues have been addressed, and we are returning to the service levels our customers expect and deserve.



Education Solutions

- The launch of *Storyworks*® 1 creates a full line of Storyworks ELA titles for grades 1-6, making it our first to encompass the whole elementary school beginning fall 2023.
- Our Education Solutions segment is performing ahead of expectations with continued momentum around curriculum and digital offerings.
- We are positioned well for the demand in Q4 which is historically a high-volume period.



International

- We continue to see strength in our publishing.
- Our international fairs and clubs businesses continue to work their way through the impact of COVID.
- In Asia, we are working closely with our franchise partners and our direct-to-home team to manage costs and better understand new regulations in China.



Fiscal Year 2022

- Cross-divisional collaboration: the New Worlds Reading Initiative with the State of Florida and the University of Florida Lastinger Center for Learning has surpassed the milestone of 100,000 children signed up. Since December we have shipped 350,000 books and have opened a new distribution facility in Florida.
- Our positive results this fiscal year have benefited from the long-term effects of investments in technology and infrastructure as well as the enduring expertise and passion of our employees and the ongoing loyalty of our customers.
- We have solid momentum driven by a thoughtful strategic vision rooted in our enduring educational mission.

Kenneth Cleary

Chief Financial Officer

Q3 FY22 Earnings (before and after one-time items)

In \$ Millions (except per share)

	Third Quarter 2022			Third Quarter 2021			Fiscal Year to Date 2022			Fiscal Year to Date 2021		
	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⁾	\$ (0.44)	\$ 0.06	\$ (0.38)	\$ (0.41)	\$ 0.26	\$ (0.14)	\$ 0.80	\$ (0.01)	\$ 0.80	\$ (0.54)	\$ 0.65	\$ 0.11
Net income (loss) ⁽²⁾	\$ (15.3)	\$ 2.1	\$ (13.2)	\$ (13.9)	\$ 9.1	\$ (4.8)	\$ 28.8	\$ (0.3)	\$ 28.5	\$ (18.6)	\$ 22.3	\$ 3.7
Children's Book Publishing and Distribution ⁽³⁾	\$ 5.0	\$ —	\$ 5.0	\$ (7.6)	\$ 2.9	\$ (4.7)	\$ 68.5	\$ —	\$ 68.5	\$ (1.2)	\$ 2.9	\$ 1.7
Education Solutions	13.1	—	13.1	9.7	—	9.7	36.0	—	36.0	17.6	—	17.6
International ⁽⁴⁾	(5.0)	0.4	(4.6)	(1.0)	0.2	(0.8)	2.0	1.1	3.1	21.7	2.8	24.5
Overhead ⁽⁵⁾	(32.6)	2.4	(30.2)	(25.3)	9.2	(16.1)	(74.6)	(1.6)	(76.2)	(70.5)	24.1	(46.4)
Operating income (loss)	\$ (19.5)	\$ 2.8	\$ (16.7)	\$ (24.2)	\$ 12.3	\$ (11.9)	\$ 31.9	\$ (0.5)	\$ 31.4	\$ (32.4)	\$ 29.8	\$ (2.6)

- 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 and nine months ended February 28, 2022, the Company recognized a benefit of \$0.7 and a provision of \$0.2, respectively, for income taxes in respect to one-time pretax items. 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 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.
- 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. In the three and nine months ended February 28, 2021, the Company recognized pretax severance of \$0.2 and \$2.5, respectively, and branch consolidation costs of \$0.0 and \$0.3, respectively.
- In the three and nine months ended February 28, 2022, the Company recognized pretax severance and related charges 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. 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.



Q3 FY22 Adjusted EBITDA

In \$ Millions	Three Months Ended		Nine Months Ended	
	02/28/2022	02/28/2021	02/28/2022	02/28/2021
Earnings (loss) before income taxes as reported	\$ (19.8)	\$ (22.0)	\$ 36.0	\$ (26.2)
One-time items before income taxes	2.8	12.3	(0.5)	29.8
Earnings (loss) before income taxes excluding one-time items	(17.0)	(9.7)	35.5	3.6
Interest (income) expense	0.4	1.7	2.2	4.1
Depreciation and amortization ¹	16.1	15.9	49.0	49.3
Amortization of prepublication costs	6.4	6.3	19.9	19.0
Adjusted EBITDA ²	\$ 5.9	\$ 14.2	\$ 106.6	\$ 76.0

- 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. 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.
- 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 FY22 Balance Sheet Items and Cash Flow

In \$ Millions	Feb 28, 2022	Feb 28, 2021
Free cash flow (use) (3 month period ending) ¹	\$ 23.4	\$ 5.5
Free cash flow (use) (9 month period ending) ¹	\$ 147.9	\$ 1.5
Accounts receivable, net	\$ 287.7	\$ 238.0
Inventories, net	\$ 299.4	\$ 304.8
Accounts payable	\$ 173.4	\$ 134.3
Accrued royalties	\$ 84.2	\$ 77.6
Total debt	\$ 13.7	\$ 190.7
Cash and cash equivalents	\$ 308.9	\$ 353.2
Net debt (cash) ²	\$ (295.2)	\$ (162.5)

- 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.
- 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 FY22 Revenues

In \$ Millions	Three months ended				Nine months ended			
	02/28/2022	02/28/2021	Change		02/28/2022	02/28/2021	Change	
Book Clubs	\$ 40.5	\$ 35.1	\$ 5.4	15 %	\$ 99.2	\$ 107.9	\$ (8.7)	(8)%
Book Fairs	76.0	27.0	49.0	181 %	268.2	87.9	180.3	NM
Consolidated Trade	84.5	80.8	3.7	5 %	301.9	283.4	18.5	7 %
Total Children's Book Publishing and Distribution	201.0	142.9	58.1	41 %	669.3	479.2	190.1	40 %
Education Solutions	77.2	66.3	10.9	16 %	236.8	187.4	49.4	26 %
International	66.3	68.3	(2.0)	(3)%	222.4	232.3	(9.9)	(4)%
Total Revenues	\$ 344.5	\$ 277.5	\$ 67.0	24 %	\$ 1,128.5	\$ 898.9	\$ 229.6	26 %

NM - Not meaningful

Questions

For any questions, please contact Scholastic Investor Relations:

Investor_Relations@Scholastic.com



