



SCHOLASTIC

READ
Every Day

Lead a Better
LIFE

FISCAL 2012 THIRD QUARTER EARNINGS PRESENTATION

March 15, 2012



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



Dick Robinson

Chief Executive Officer, President
and Chairman



Children's Books

- Revenue and profits up significantly in Trade, driven by The Hunger Games trilogy in advance of movie release
- Revenue up 12% in Book Fairs, on higher revenue per fair and fair count
- Higher profit in Book Clubs on reduced promotion spending; improved online performance metrics



Digital Initiatives in Children's Books

- Introduced Storia™, Scholastic's free ereading app and ebook system designed for children
- Over 1,300 titles (incl. 250 enriched) currently available for purchase
- Phased roll-out to include 25% of Book Club sponsors, demonstrations in 1,000 Book Fairs this spring
- Full roll-out across Clubs and Fairs planned for next fall back-to-school



Education

- Strong year-to-date sales and profit growth in both segments, reflecting new products and expanded selling and service capacity
- Expanding customer base and high renewals drove higher service revenue in Educational Technology and Services in Q3
- Classroom library sales down in Classroom and Supplemental Materials Publishing in Q3, reflecting earlier federal funding in current fiscal year



International

- Profits and margins up on strong revenue growth
- Improved results in Canada, the UK and Australia, in part due to The Hunger Games trilogy
- Growth in Asia, driven by education, in addition to children's books
- Completed acquisition of Singapore-based developer of English-language learning materials



Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer



Income Statement

\$M (except per share)	Third Quarter	
	2012	2011
Revenues	\$467.0	\$384.3
Cost of goods sold	219.6	193.8
Selling, general and administrative expenses ¹	227.8	199.3
Bad debt expense ²	3.1	6.7
Depreciation and amortization	16.0	14.5
Loss on leases and asset impairments	0.8	-
Total operating costs and expenses	467.3	414.3
Operating income (loss) from continuing operations	(\$0.3)	(\$30.0)
Interest expense, net	3.9	3.9
Provision (benefit) for income taxes	(1.4)	(9.9)
Earnings (loss) from continuing operations	(\$2.8)	(\$24.0)
Loss from discontinued operations, net of tax	(0.4)	(1.1)
Net Income (loss)	(\$3.2)	(\$25.1)
Earnings (loss) per diluted share from continuing operations	(0.09)	(0.77)
Loss per share from discontinued operations, net of tax	(0.01)	(0.04)
Earnings (loss) per diluted share	(0.10)	(0.81)

Note: Results include one-time charges of (1) \$2.5 associated with the Company's cost reduction programs in 2012, and \$1.8 associated with UK restructuring in 2011; and (2) \$3.5 of bad debt expense related to Borders in 2011.



Segment Results

\$M	Third Quarter	
	2012	2011
Children's Book Publishing and Distribution		
Revenue	\$266.0	\$193.0
Operating income (loss) ¹	23.4	(9.2)
Educational Technology and Services		
Revenue	\$40.0	\$38.2
Operating income (loss)	(5.9)	(4.2)
Classroom and Supplemental Materials Publishing		
Revenue	\$38.2	\$43.1
Operating income (loss)	(3.4)	1.5
International		
Revenue	\$105.6	\$95.1
Operating income (loss) ²	4.3	(1.4)
Media, Licensing and Advertising		
Revenue	\$17.2	\$14.9
Operating income (loss)	(0.8)	(3.6)
Corporate overhead ³	\$17.9	\$13.1
Operating income (loss) from continuing operations	(\$0.3)	(\$30.0)

Note: Results include one-time charges of (1) \$3.5 of bad debt expense related to Borders in 2011; (2) \$1.8 associated with UK restructuring in 2011; and (3) \$2.5 associated with the Company's cost reduction programs in 2012.



Free Cash Flow and Balance Sheet

\$M	Feb 29, 2012	Feb 28, 2011
Free cash flow (use) (3 month period ending) ¹	(\$1.5)	\$49.2
Accounts receivable, net	\$271.5	\$193.6
Inventories, net	\$397.2	\$374.5
Accounts payable	\$160.1	\$162.6
Accrued royalties	\$84.4	\$62.2
Total debt	\$165.3	\$220.1
Cash and cash equivalents	111.8	90.7
Net debt ²	\$53.5	\$129.4

¹Free cash flow 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. ²Net debt is defined by the Company as lines of credit and short-term debt plus long-term-debt, net of cash and cash equivalents



Increased Fiscal 2012 Financial Guidance

Revenue	Approximately \$2.0 billion
Earnings from Continuing Operations	\$2.60 to \$2.90 per diluted share
Operating Income	\$160 to \$175 million
Free Cash Flow	Above \$120 million

Note: Outlook for EPS and operating income excludes one-time expenses associated with cost savings and restructuring actions, as well as non-cash, non-operating items, which through the third quarter were \$0.29 per diluted share or \$15.6M, respectively.



Questions & Answers

Participants

- Richard Robinson
- Maureen O'Connell
- Shane Armstrong, International & Growth Markets
- Ellie Berger, Trade
- Deborah Forte, Media
- Margery Mayer, Education
- Judy Newman, Book Clubs and E-Commerce
- Hugh Roome, Consumer and Professional Publishing