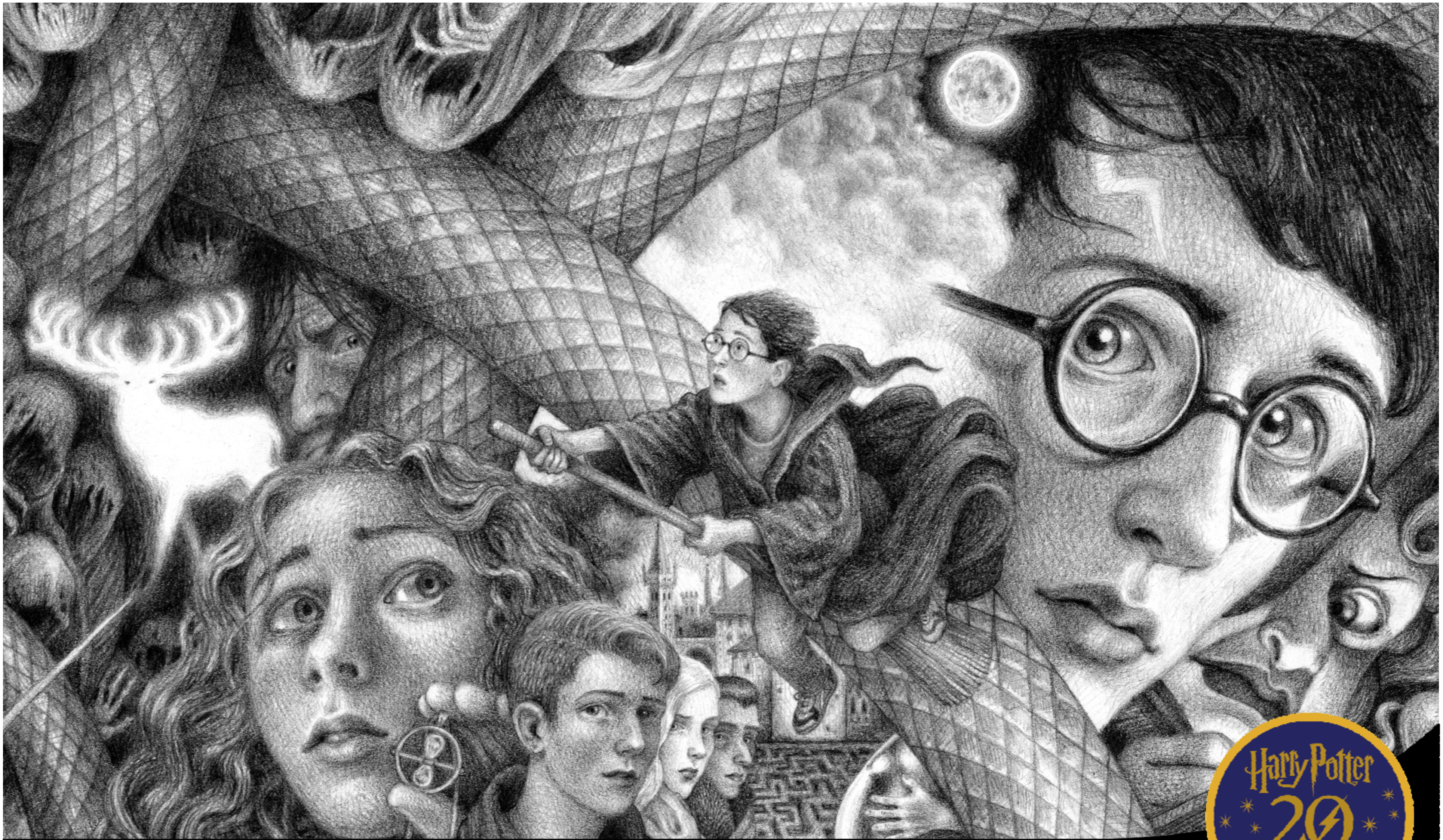


SCHOLASTIC

Second Quarter FY 2019 Earnings Call Presentation

Thursday, December 20, 2018

Forward-Looking Statements

This presentation contains certain forward-looking statements. Such forward-looking statements 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, 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.

Richard Robinson

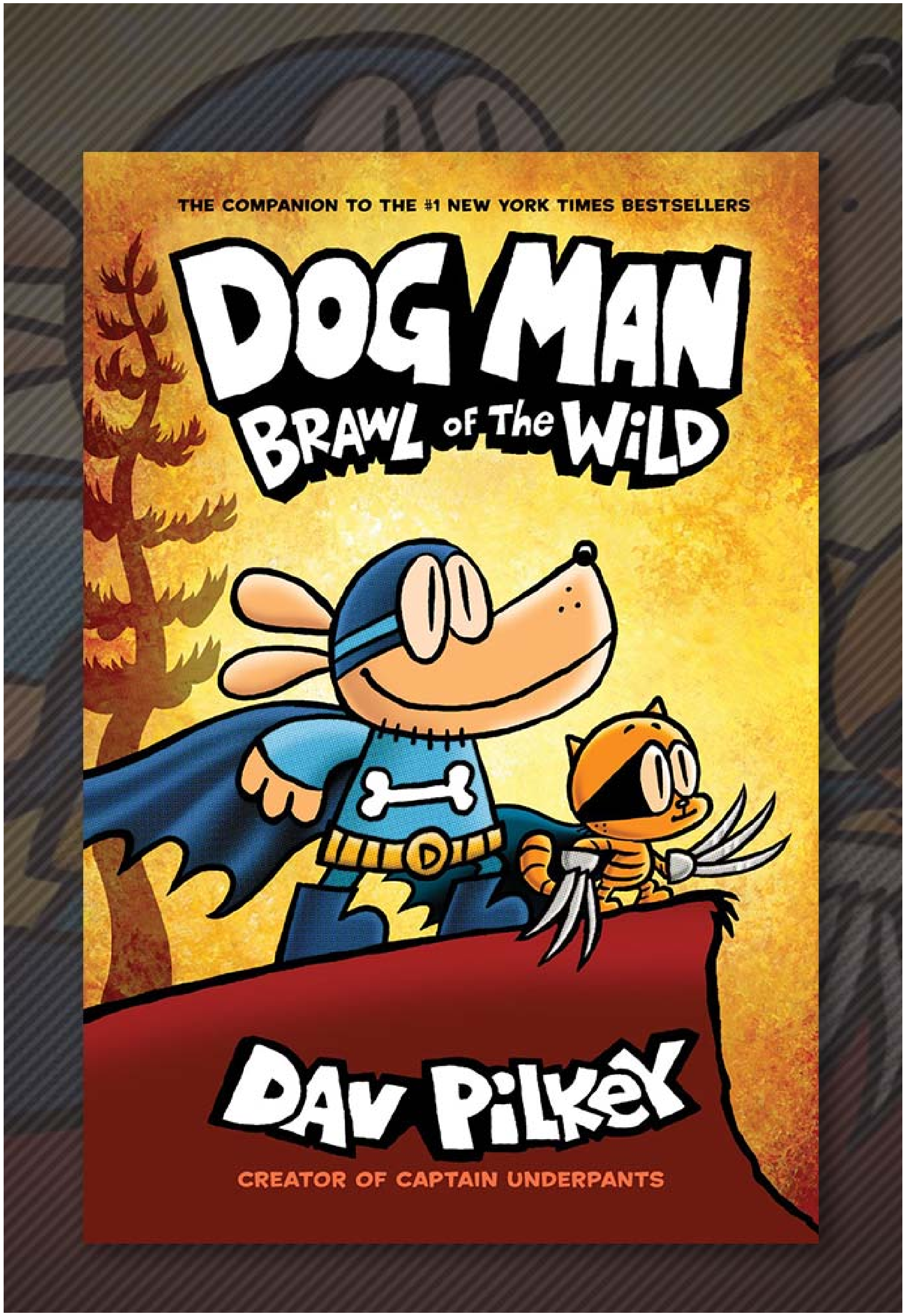
Chairman, President
and Chief Executive Officer

Second Quarter 2019 Highlights

- Scholastic core businesses remained strong during our second quarter and year-to-date results bring us to a good position; on track to achieve fiscal 2019 operating goals
- Year-to-date revenue up 4% before the impact of new ASC 606 recognition guidelines; net income recorded of $71.6 million versus $57.1 million last year, partly the result of a lower effective tax rate
- Led by strong front- and backlist trade titles globally
- Scholastic remained a key partner of U.S. schools during the important back-to-school phase

Children’s Book Publishing & Distribution

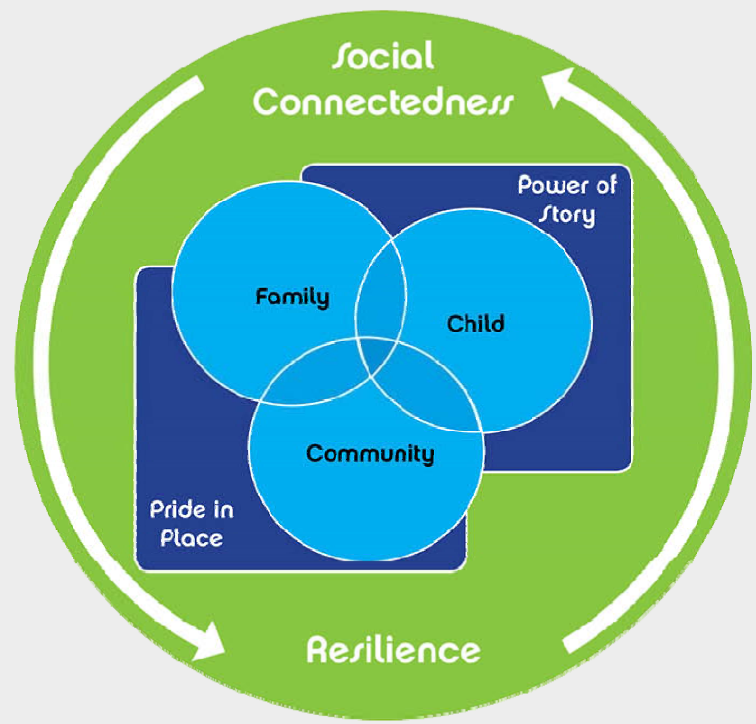
- *Dog Man, The Wonky Donkey, Harry Potter* 20th anniversary and *Fantastic Beasts™: The Crimes of Grindelwald*, leading cultural conversations and key contributors in Q2
- 5 million first-run printing of *Dog Man: Brawl of the Wild*
- Book Clubs continued to see higher levels of teacher-sponsors and technology improvements have contributed to a shift to more online ordering
- Scholastic Store On-Line and the Teacher Store On-Line experiencing double-digit growth in visits
- Book Fairs count slightly up and results on par with prior year; affected by new accounting guidelines



Education

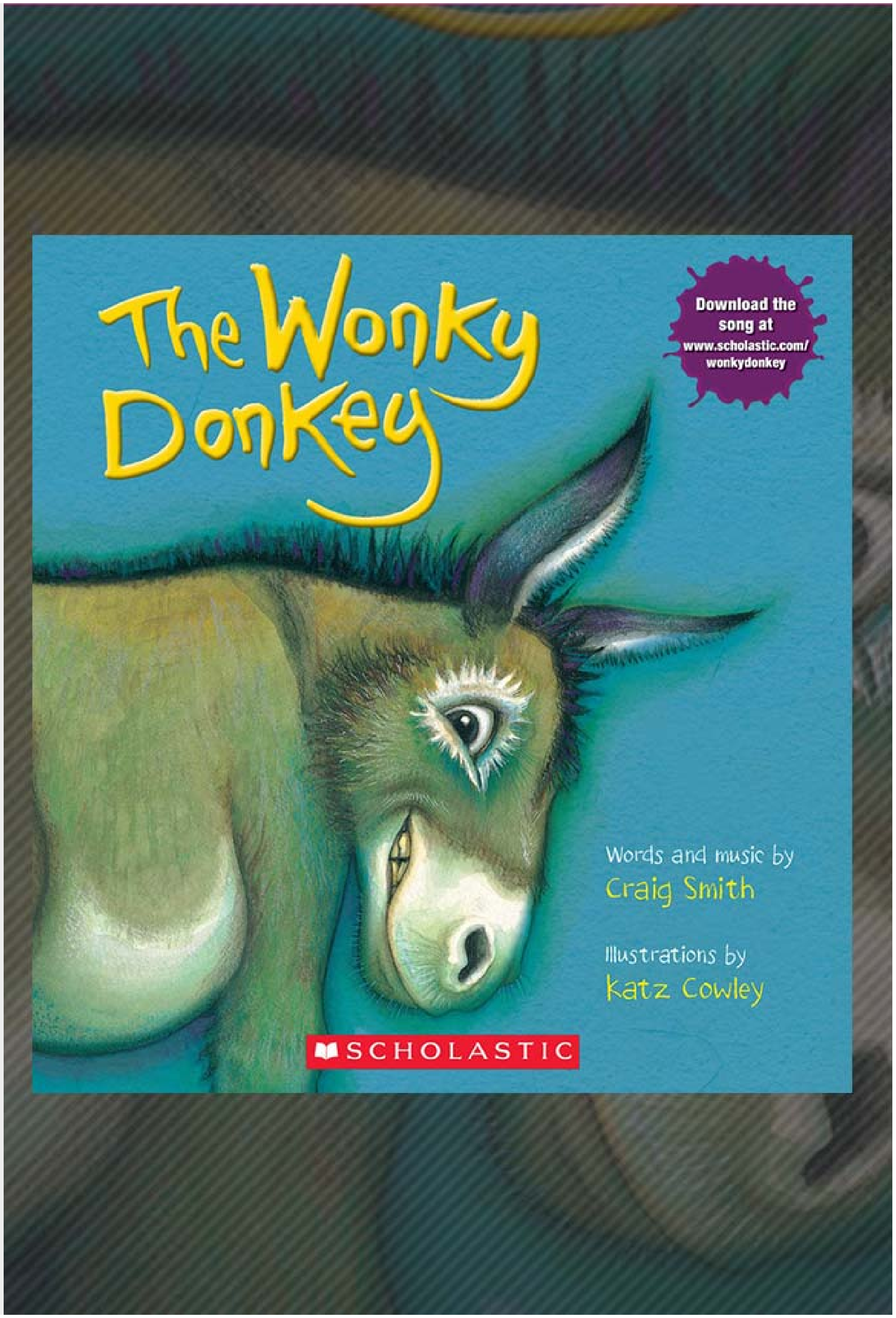
- Classroom magazines continue to have solid results; launching initiatives in response to classroom needs beginning with *Stories for a More Tolerant World*
- *Scholastic Literacy* to launch next quarter, highlighting our unique ability to combine content drawn from trade books with well-designed teaching plans and PD
- *Ooka Island®*, *Literacy Pro™* and other Scholastic digital products earned EDDIE awards
- Launch of the Yale Child Study Center–Scholastic Collaborative for Child & Family Resilience

Child Study Center
Scholastic
collaborative



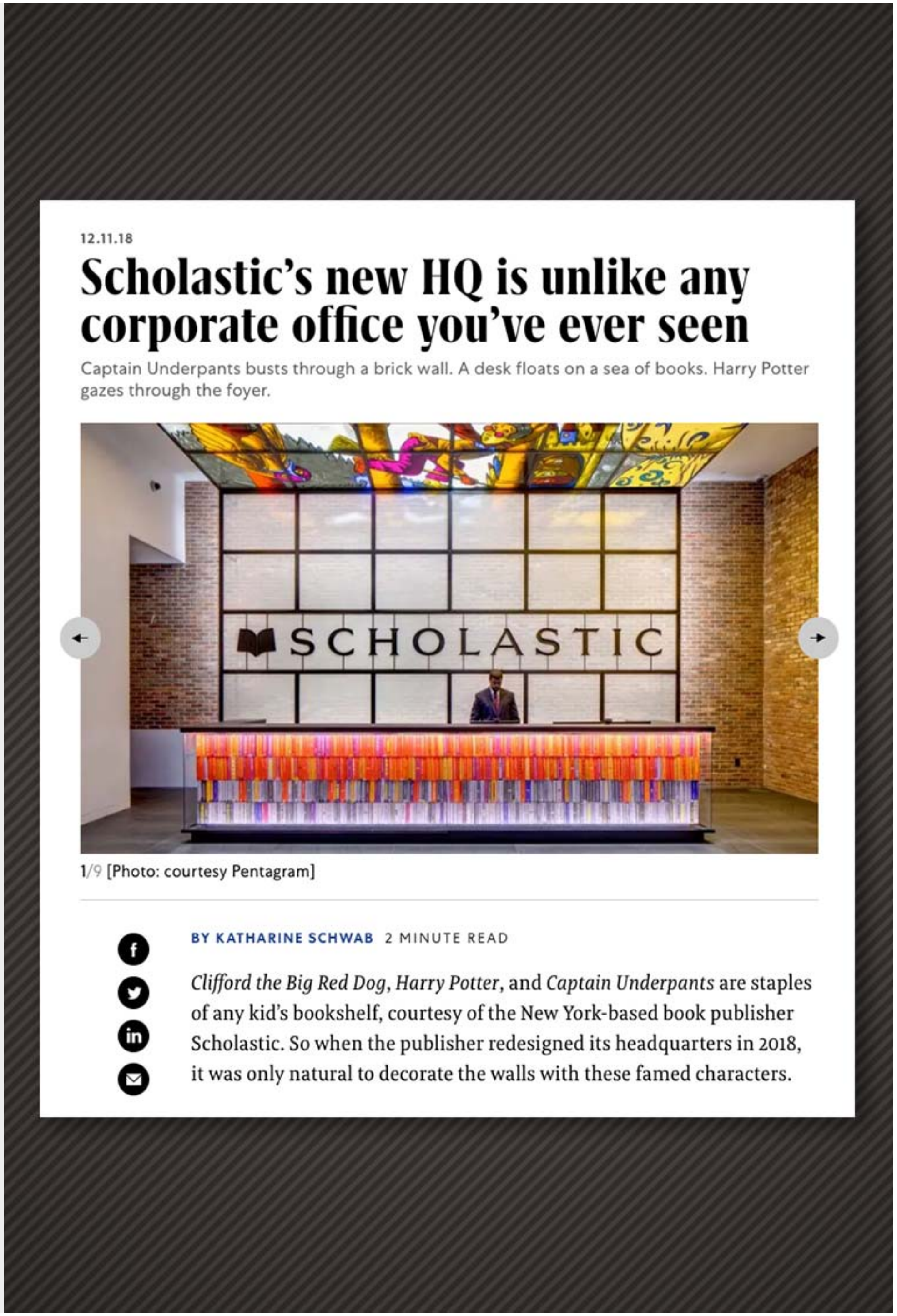
International

- A positive quarter before impact of currency with major markets up year-over-year
- Strong publishing in Canada, Australia/New Zealand and the U.K.
- U.K. education business up on last year's acquisitions
- Improvements in Asia, especially China



Real Estate Update

- *Fast Company* featured renovation artwork
- Sephora has completed move to 557 Broadway
- SoHo remains a desirable location for larger retailers and high-end boutiques alike



12.11.18

Scholastic's new HQ is unlike any corporate office you've ever seen

Captain Underpants busts through a brick wall. A desk floats on a sea of books. Harry Potter gazes through the foyer.

1/9 [Photo: courtesy Pentagram]

BY KATHARINE SCHWAB 2 MINUTE READ

Clifford the Big Red Dog, *Harry Potter*, and *Captain Underpants* are staples of any kid's bookshelf, courtesy of the New York-based book publisher Scholastic. So when the publisher redesigned its headquarters in 2018, it was only natural to decorate the walls with these famed characters.

Kenneth Cleary

Chief Financial Officer

ASC 606 Modified Adoption

- The new guidelines require us to defer certain revenues associated mainly with our book fairs incentive program; it also requires us to recognize, as a current period expense, certain previously capitalized direct expenses
- Net impact in quarter was a detriment of -$10.8 million in revenues and -$5.6 million of operating income
- Net impact year-to-date was an incremental $1.7 million in revenues and -$0.4 million detriment in operating income

Income Statement

In $ Millions (except per share)	Second Quarter 2019			Second Quarter 2018			Fiscal Year to Date 2019			Fiscal Year to Date 2018		
	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
Revenues	$604.7	$0.0	$604.7	$598.3	$0.0	$598.3	$823.1	$0.0	$823.1	$787.5	$0.0	$787.5
Cost of goods sold	262.4	-	262.4	253.6	-	253.6	387.7	-	387.7	369.2	-	369.2
Selling, general and administrative expenses [1]	227.0	(4.7)	222.3	223.4	(3.7)	219.7	389.3	(5.2)	384.1	381.0	(5.3)	375.7
Bad debt expense	2.7	-	2.7	4.3	-	4.3	4.1	-	4.1	6.2	-	6.2
Depreciation and amortization	14.4	-	14.4	9.8	-	9.8	27.6	-	27.6	19.0	-	19.0
Asset impairments [2]	-	-	-	-	-	-	-	-	-	6.7	(6.7)	-
Total operating costs and expenses	506.5	(4.7)	501.8	491.1	(3.7)	487.4	808.7	(5.2)	803.5	782.1	(12.0)	770.1
Operating income (loss)	98.2	4.7	102.9	107.2	3.7	110.9	14.4	5.2	19.6	5.4	12.0	17.4
Interest income (expense), net	0.5	-	0.5	-	-	-	1.3	-	1.3	0.3	-	0.3
Other components of net periodic benefit (cost) [3]	(0.3)	-	(0.3)	(15.5)	15.4	(0.1)	(0.7)	-	(0.7)	(15.6)	15.4	(0.2)
Provision (benefit) for income taxes [4]	26.8	1.1	27.9	34.6	7.7	42.3	4.7	1.2	5.9	(3.3)	11.0	7.7
Net Income (loss)	$71.6	$3.6	$75.2	$57.1	$11.4	$68.5	$10.3	$4.0	$14.3	($6.6)	$16.4	$9.8
Earnings (loss) per diluted share	$1.99	$0.10	$2.09	$1.60	$0.32	$1.92	$0.29	$0.11	$0.40	($0.19)	$0.46	$0.27

1. In the three and six months ended November 30, 2018, the Company recognized a $4.3 pretax charge related to a proposed settlement of a legacy sales tax assessment and pretax severance of $0.4 and $0.9, respectively. In the three and six months ended November 30, 2017, the Company recognized pretax severance and stock compensation charges of $3.7 and $5.3, respectively.
2. In the six months ended November 30, 2017, the Company recognized a pretax impairment charge of $6.7 related to legacy building improvements.
3. In the three and six months ended November 30, 2017, the Company recognized a $15.4 pretax charge related to a partial settlement of the Company's domestic defined benefit pension plan.
4. In the three and six months ended November 30, 2018, the Company recognized a benefit for income taxes in respect to one-time pretax charges of $1.3 and $1.4, respectively, partially offset by $0.2 and $0.2, respectively, of income tax provision related to the remeasurement of the Company's U.S. deferred tax balance in connection with the passage of the Tax Cuts and Jobs Act of 2017. In the three and six months ended November 30, 2017, the Company recognized a benefit for income taxes in respect to one-time pretax charges of $7.7 and $11.0, respectively.

Adjusted EBITDA

	Three Months Ended		Six Months Ended	
	11/30/2018	11/30/2017	11/30/2018	11/30/2017
Earnings (loss) before income taxes as reported	$98.4	$91.7	$15.0	($9.9)
One-time items before income taxes	4.7	19.1	5.2	27.4
Earnings (loss) before income taxes excluding one-time items	103.1	110.8	20.2	17.5
Interest (income) expense	(0.5)	0.0	(1.3)	(0.3)
Depreciation and amortization[1]	15.1	10.5	29.1	20.5
Amortization of prepublication and production costs	5.5	5.4	10.7	10.9
Adjusted EBITDA[2]	$123.2	$126.7	$58.7	$48.6

1. For the three and six months ended November 30, 2018, includes depreciation of $0.7 and $1.4, respectively, recognized in cost of goods sold and amortization of deferred financing costs of $0.0 and $0.1, respectively. In the three and six months ended November 30, 2017, includes depreciation of $0.6 and $1.3, respectively, recognized in cost of goods sold and amortization of deferred financing costs of $0.1 and $0.2, respectively.
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.

Segment Results

	Second Quarter 2019			Second Quarter 2018			Fiscal Year to Date 2019			Fiscal Year to Date 2018		
	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
Children's Book Publishing and Distribution												
Revenue												
Book Clubs	$101.3	$0.0	$101.3	$99.9	$0.0	$99.9	$110.4	$0.0	$110.4	$107.9	$0.0	$107.9
Book Fairs	220.7	-	220.7	231.0	-	231.0	245.9	-	245.9	243.1	-	243.1
Consolidated Trade	95.9	-	95.9	82.8	-	82.8	157.3	-	157.3	131.6	-	131.6
Total revenue	417.9	-	417.9	413.7	-	413.7	513.6	-	513.6	482.6	-	482.6
Operating income (loss)	106.3	-	106.3	115.0	-	115.0	60.3	-	60.3	56.1	-	56.1
Operating margin	25.4%		25.4%	27.8%		27.8%	11.7%		11.7%	11.6%		11.6%
Education												
Revenue	71.5	-	71.5	69.0	-	69.0	119.4	-	119.4	111.9	-	111.9
Operating income (loss)	8.3	-	8.3	3.9	-	3.9	(6.6)	-	(6.6)	(8.6)	-	(8.6)
Operating margin	11.6%		11.6%	5.7%		5.7%	-		-	-		-
International												
Revenue	115.3	-	115.3	115.6	-	115.6	190.1	-	190.1	193.0	-	193.0
Operating income (loss)	13.0	-	13.0	14.7	-	14.7	11.0	-	11.0	11.9	-	11.9
Operating margin	11.3%		11.3%	12.7%		12.7%	5.8%		5.8%	6.2%		6.2%
Corporate overhead [1]	29.4	(4.7)	24.7	26.4	(3.7)	22.7	50.3	(5.2)	45.1	54.0	(12.0)	42.0
Operating income (loss)	$98.2	$4.7	$102.9	$107.2	$3.7	$110.9	$14.4	$5.2	$19.6	$5.4	$12.0	$17.4

1. In the three and six months ended November 30, 2018, the Company recognized a $4.3 pretax charge related to a proposed settlement of a legacy sales tax assessment and pretax severance of $0.4 and $0.9, respectively. In the three and six months ended November 30, 2017, the Company recognized pretax severance and stock compensation charges of $3.7 and $5.3, respectively. In the six months ended November 30, 2017, the Company recognized a pretax impairment charge of $6.7 related to legacy building improvements.

Selected Balance Sheet, Free Cash Flow & Net Debt

In $ Millions	Nov 30, 2018	Nov 30, 2017
Free cash flow (use) (3 month period ending)[1]	$93.5	$90.7
Free cash flow (use) (6 month period ending)[1]	($32.4)	($40.3)
Accounts receivable, net	$377.3	$262.4
Inventories, net	$365.6	$355.7
Accounts payable	$250.3	$222.1
Accrued royalties	$58.5	$46.9
Total debt	$13.5	$11.3
Cash and cash equivalents	$358.1	$387.8
Net debt[2]	($344.6)	($376.5)

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 prepublication and production costs. The Company believes that this non-GAAP liquidity 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 debt 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 believes this non-GAAP financial measure is useful to investors as an indicator of the Company's effective leverage and financing needs.

State Sales Tax

- Working to achieve compliance relating to the Supreme Court ruling
- Incurring costs to make enhancements to technology infrastructure and front-end customer facing platforms, paper order forms, communication plans and state registrations
- Analyzing impact on levels of engagement and customer acceptance
- Transition period will enable the Company to comply with sales tax requirements this fiscal year, while minimizing any negative impact to our customers

Fiscal 2019 Outlook

Reaffirming fiscal 2019 outlook for:

Revenues	\$1.65–\$1.70 billion
Adjusted EBITDA [1]	\$160–\$170 million
EPS, excluding one-times	\$1.60–\$1.70 per share
Capital expenditures	\$70–\$80 million

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.

Question & Answer

Participants

- Richard Robinson
- Kenneth Cleary

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