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# Second Quarter 2025 Earnings Call Presentation

Thursday, December 19, 2024

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# 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](http://investor.scholastic.com).



# Peter Warwick

President and Chief Executive Officer

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# Second Quarter 2025 Highlights

- Strong execution across school channels, publishing and entertainment, despite lower Q2 results, primarily reflecting timing of publishing plan
- Pursuing multiple long-term growth opportunities in core and adjoining markets, leveraging Scholastic's brand, IP, scale and channels
- Upsized and extended maturity on \$400 million unsecured revolving credit facility
- Reaffirmed FY25 guidance: continue to target modest top-line and bottom-line growth
- Closely monitoring and well positioned to navigate potential changes in U.S. trade, education policy

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# Second Quarter 2025 Segment Highlights

- Children's Books revenues decreased 6%, reflecting timing in Trade and School Reading Events
  - Book Fairs on track to achieve target of 90,000 fairs in FY25
  - Updated offerings in Book Clubs drove higher student participation and revenue per sponsor
  - Scholastic titles maintained presence on global best seller lists, with key new titles from major global franchises to be released in second half FY25
- Entertainment contributed positively to revenue and EBITDA, on the contribution of 9 Story Media Group
  - Progressing on joint development and production slate while accelerating digital-first growth opportunities
- Education Solutions revenues declined 12%, reflecting lower spending on supplemental curriculum products
  - New supplemental literacy programs in final development, expected in market in FY26
- International revenues in-line with prior year
  - Realigned International Education portfolio, improving product and marketing coordination across growth markets



# Haji Glover

Chief Financial Officer and Executive Vice President

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# Second Quarter Results

In \$ Millions	Second Quarter		Change	
	Fiscal 2025	Fiscal 2024		
Revenues	\$ 544.6	\$ 562.6	\$ (18.0)	(3)%
Operating income (loss)	\$ 74.7	\$ 101.3	\$ (26.6)	(26)%
Earnings (loss) before taxes	\$ 70.0	\$ 101.5	\$ (31.5)	(31)%
Diluted earnings (loss) per share	\$ 1.71	\$ 2.45	\$ (0.74)	(30)%
Operating income (loss), ex. one-time items	\$ 78.9	\$ 101.3	\$ (22.4)	(22)%
Diluted earnings (loss) per share, ex. one-time items	\$ 1.82	\$ 2.45	\$ (0.63)	(26)%
Adjusted EBITDA <sup>(1)</sup>	\$ 108.7	\$ 124.0	\$ (15.3)	(12)%

- 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.

# Second Quarter Segment Results (excluding one-time items)

In \$ Millions	Second Quarter		Change
	Fiscal 2025	Fiscal 2024	
<b>Children's Book Publishing and Distribution <sup>(1)</sup></b>			
School Reading Events	\$ 264.2	\$ 274.5	(4)%
Consolidated Trade	102.8	117.9	(13)%
Total Revenues	<u>367.0</u>	<u>392.4</u>	(6)%
Operating income (loss)	102.1	111.6	(9)%
<b>Education Solutions</b>			
Revenues	71.2	81.0	(12)%
Operating income (loss)	(0.5)	5.8	(109)%
<b>Entertainment <sup>(1)</sup></b>			
Revenues	16.8	0.4	NM
Operating income (loss)	(3.9)	(0.8)	NM
<b>International</b>			
Revenues	86.7	86.5	0%
Operating income (loss)	7.1	8.0	(11)%
<b>Overhead</b>			
Revenues	2.9	2.3	26%
Operating income (loss)	(25.9)	(23.3)	(11)%
<b>Operating income (loss)</b>	<u>\$ 78.9</u>	<u>\$ 101.3</u>	(22)%

NM - Not meaningful

- The newly formed Entertainment segment includes the operations of Scholastic Entertainment Inc. (SEI), which were included in the Children's Book Publishing and Distribution segment in prior periods, and 9 Story Media Group. The financial results for SEI for the three months ended November 30, 2023 have been reclassified to Entertainment to reflect this change.

# Second Quarter Balance Sheet and Cash Flow Results

In \$ Millions	November 30, 2024	November 30, 2023
Free cash flow (use) (3 month period ending) <sup>(1)</sup>	\$ 42.4	\$ 88.6
Accounts receivable, net	\$ 293.0	\$ 311.8
Inventories, net	282.0	302.3
Accounts payable	157.2	159.5
Deferred revenue	225.0	225.0
Accrued royalties	67.3	57.5
Film related obligations	21.6	—
Lines of credit and long-term debt	256.2	6.3
Cash and cash equivalents	139.6	149.5
Net cash (debt) <sup>(2)</sup>	(120.8)	143.2

- 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 and adjusted for net cash flows from film related obligations. 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 cash (debt) is defined by the Company as cash and cash equivalents less production cash of \$4.2 as of November 30, 2024, net of lines of credit, short-term and long-term debt. Film related obligations are not included. 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.

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# Fiscal 2025 Outlook

- Reaffirmed FY25 Guidance for revenue growth of 4% to 6% and Adjusted EBITDA of \$140 million to \$150 million
- Free cash flow outlook remains between \$20 to \$30 million
  - Reflecting growth investments, larger than usual working capital needs
- Actively targeting additional cost actions to benefit FY25 and beyond
- Continued commitment to capital allocation priorities



# Peter Warwick

President and Chief Executive Officer

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# Q&A

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A collage of various images showing children engaged in reading and learning activities. The images are overlaid with a semi-transparent red filter. The scenes include children reading books, looking at papers, and interacting with each other. The central text 'Appendix' is prominently displayed in white.

# Appendix

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# Second Quarter Adjusted EBITDA

In \$ Millions	Second Quarter	
	Fiscal 2025	Fiscal 2024
Earnings (loss) before income taxes as reported	\$ 70.0	\$ 101.5
One-time items before income taxes	4.2	—
Earnings (loss) before income taxes excluding one-time items	<u>74.2</u>	<u>101.5</u>
Interest (income) expense <sup>(1)</sup>	4.2	(0.4)
Depreciation and amortization <sup>(2)</sup>	<u>30.3</u>	<u>22.9</u>
Adjusted EBITDA <sup>(3)</sup>	<u>\$ 108.7</u>	<u>\$ 124.0</u>

1. For the three months ended November 30, 2024, the amount includes production loan interest amortized into cost of goods sold.
2. For the three months ended November 30, 2024 and 2023, amounts include prepublication and production cost amortization of \$10.7 and \$6.6, respectively, and depreciation of \$0.8 and \$0.6, respectively, recognized in cost of goods sold, amortization of deferred financing costs of less than \$0.1, and amortization of capitalized cloud software of \$2.5 and \$1.6, respectively, recognized in selling, general and administrative expenses.
3. 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.

# Second Quarter Earnings (before and after one-time items)

In \$ Millions (except per share)	Second Quarter Fiscal 2025			Second Quarter Fiscal 2024		
	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items
Diluted earnings (loss) per share <sup>(1)</sup>	\$ 1.71	\$ 0.11	\$ 1.82	\$ 2.45	\$ —	\$ 2.45
Net income (loss) <sup>(2)</sup>	\$ 48.8	\$ 3.2	\$ 52.0	\$ 76.9	\$ —	\$ 76.9
Earnings (loss) before income taxes	\$ 70.0	\$ 4.2	\$ 74.2	\$ 101.5	\$ —	\$ 101.5
Children's Book Publishing and Distribution <sup>(3)</sup>	\$ 102.1	\$ —	\$ 102.1	\$ 111.6	\$ —	\$ 111.6
Education Solutions	(0.5)	—	(0.5)	5.8	—	5.8
Entertainment <sup>(3) (4)</sup>	(4.7)	0.8	(3.9)	(0.8)	—	(0.8)
International <sup>(5)</sup>	5.7	1.4	7.1	8.0	—	8.0
Overhead <sup>(6)</sup>	(27.9)	2.0	(25.9)	(23.3)	—	(23.3)
Operating income (loss)	\$ 74.7	\$ 4.2	\$ 78.9	\$ 101.3	\$ —	\$ 101.3

- 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 months ended November 30, 2024, the Company recognized a benefit of \$1.0 for income taxes in respect to one-time pretax items.
- The newly formed Entertainment segment includes the operations of Scholastic Entertainment Inc. (SEI), which were included in the Children's Book Publishing and Distribution segment in prior periods, and 9 Story Media Group. The financial results for SEI for the three months ended November 30, 2023 have been reclassified to Entertainment to reflect this change.
- In the three months ended November 30, 2024, the Company recognized pretax severance of \$0.4 related to cost-savings initiatives and pretax costs of \$0.4 related to the acquisition of 9 Story Media Group.
- In the three months ended November 30, 2024, the Company recognized pretax severance of \$1.4 related to cost-savings initiatives.
- In the three months ended November 30, 2024, the Company recognized pretax severance of \$2.0 related to cost-savings initiatives.

