SCHOLASTIC

Third Quarter FY 2020 Earnings Call Presentation

Thursday, March 19, 2020

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

Third Quarter FY 2020

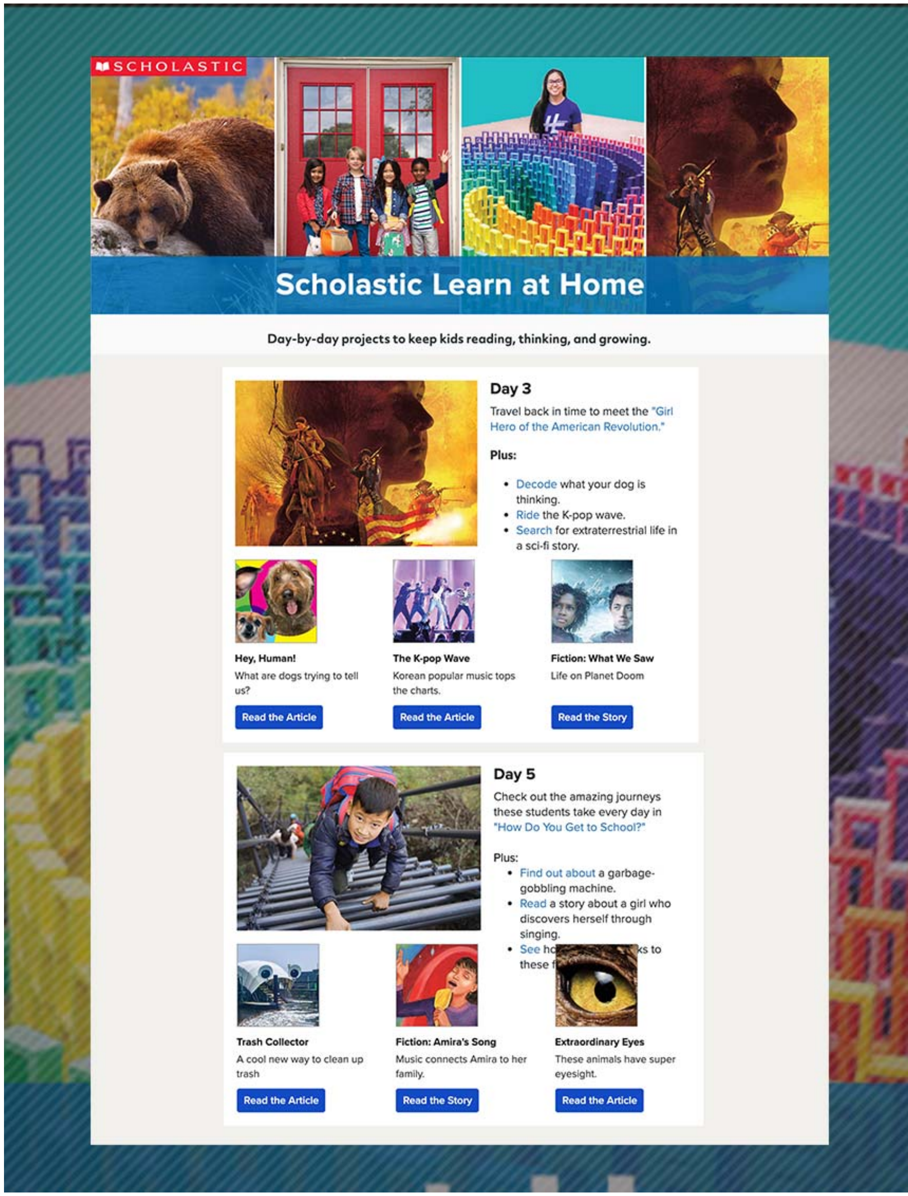
- Trade and book fairs had strong quarters; education growth across all major lines of business.
- Third quarter revenue was $373.3 million, an increase of 4% compared to $360.1 million in the third quarter of 2019.
- Excluding one-time items, operating loss in the seasonally low third quarter was $16.8 million, a 10% improvement compared to a loss of $18.7 million one year ago.
- No longer affirming guidance as a result of the material disruption from the coronavirus.
- $40MM pretax non-cash write down of inventory in the third quarter will enable more effective management of book product to maximize newer titles.

Coronavirus Response

- Aggressively reducing costs throughout the organization, with the safety of employees and customers as priority.
    - Ceased all non-essential business travel and functions; increased telecommuting.
    - High-level, rapid response team will implement mitigation plans.
- In this unprecedented moment, temporarily closing up to half of book fair branches and reducing or eliminating book clubs' promotions.
- Anticipating lost and postponed revenues in Education while still securing special orders.
- Reducing staffing costs and curtailing all costs not directly connected to revenue.
- Preserving cash by deferring capex, reducing inventory purchases, delaying longer term projects and more effectively managing inventory.
- Very strong balance sheet to support Company through current sales slowdown and beyond.

Scholastic Learn At Home

- Recently released a digital hub of up to four weeks of daily instructional content to support learning at home where schools are closed.
- The positive response to *Scholastic Learn at Home* was immediate with administrators, teachers and parents actively utilizing these tools.
- In just a few days since launch, more than 17 million page views were counted and are only increasing.



Children’s Book Publishing & Distribution

- Trade publishing recorded a 17% increase in revenue.
- Bestsellers include *Dog Man: Fetch 22*, Tui Sutherland’s *Wings of Fire* Special Edition, and *Mãnaland* by Pam Muñoz Ryan.
- New Suzanne Collins novel *The Ballad of Songbirds and Snakes* will debut in May.
- Cost saving strategies continued to benefit fairs and clubs:
  - Clubs decreased sales tax expense year-over-year and improved promotional spend targeting.
  - Book fairs maintained positive momentum with improved revenue per fair.

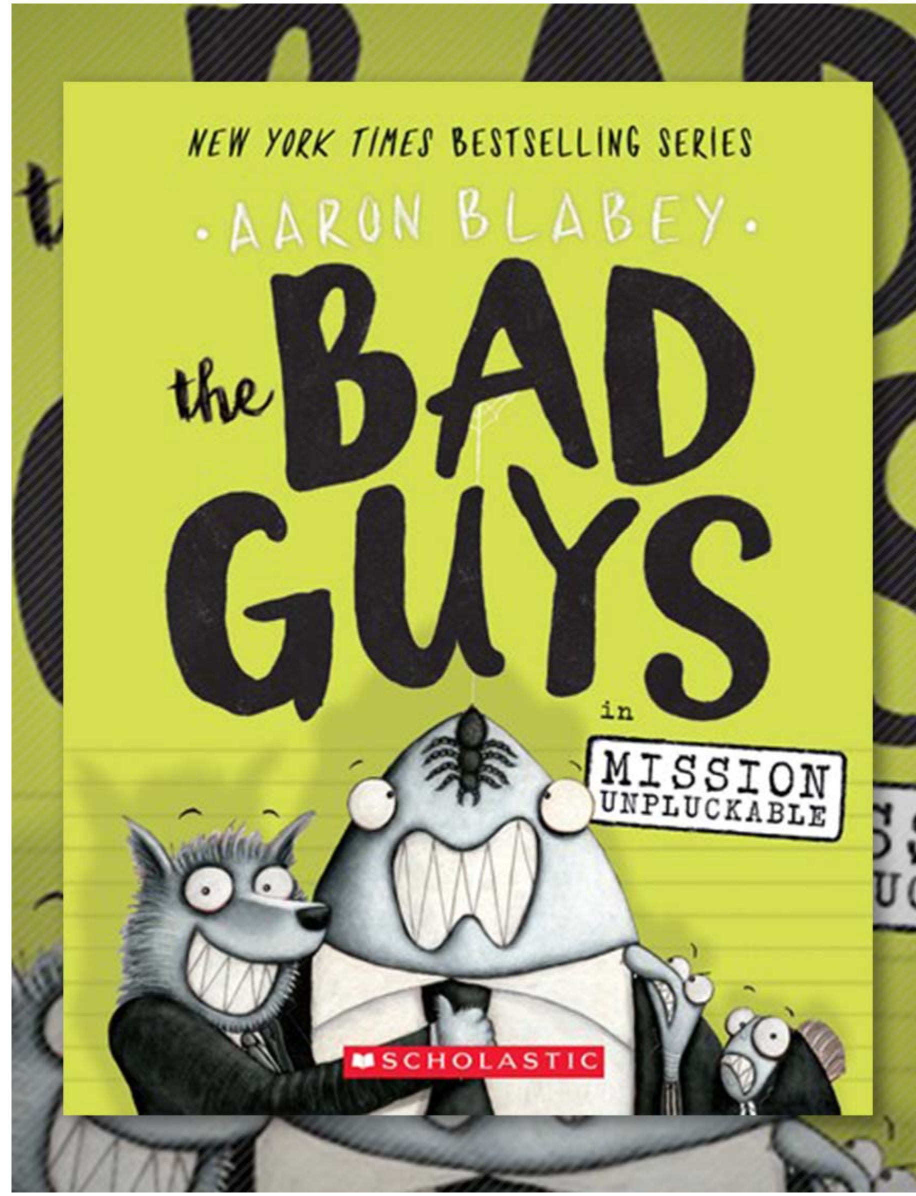
Education

- Education saw 23% sales growth across classroom books, professional learning, core instruction and classroom magazines.

- In this unprecedented time for schools, teams are first assisting educators to meet their immediate needs to serve students remotely through free tools, workbooks, take-home book packs and digital programs.

International

- International success in trade publishing remains strong.
- China franchise schools and direct-to-home market in Asia impacted due to coronavirus, but supply chain issues were successfully mitigated.
- China and Korea teams created online teacher trainings in 200 franchised English Language Learning Centers, and are providing home learning online courses.



Kenneth Cleary

Chief Financial Officer

Income Statement

In $ Millions (except per share)	Third Quarter 2020			Third Quarter 2019			Fiscal Year to Date 2020			Fiscal Year to Date 2019		
	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	$373.3	$0.0	$373.3	$360.1	$0.0	$360.1	$1,203.1	$0.0	$1,203.1	$1,183.2	$0.0	$1,183.2
Cost of goods sold	183.0	-	183.0	176.9	-	176.9	584.4	-	584.4	564.6	-	564.6
Selling, general and administrative expenses [1]	191.9	(3.2)	188.7	189.3	(2.7)	186.6	567.5	(9.4)	558.1	578.6	(7.9)	570.7
Bad debt expense	3.0	-	3.0	1.6	-	1.6	7.3	-	7.3	5.7	-	5.7
Depreciation and amortization	15.4	-	15.4	13.7	-	13.7	46.2	-	46.2	41.3	-	41.3
Asset write down [2]	40.0	(40.0)	-	-	-	-	40.0	(40.0)	-	-	-	-
Total operating costs and expenses	433.3	(43.2)	390.1	381.5	(2.7)	378.8	1,245.4	(49.4)	1,196.0	1,190.2	(7.9)	1,182.3
Operating income (loss)	(60.0)	43.2	(16.8)	(21.4)	2.7	(18.7)	(42.3)	49.4	7.1	(7.0)	7.9	0.9
Interest income (expense), net	0.3	-	0.3	1.0	-	1.0	1.0	-	1.0	2.3	-	2.3
Other components of net periodic benefit (cost)	(0.4)	-	(0.4)	(0.4)	-	(0.4)	(1.0)	-	(1.0)	(1.1)	-	(1.1)
Provision (benefit) for income taxes [3]	(16.8)	11.8	(5.0)	(8.2)	1.2	(7.0)	(11.6)	13.5	1.9	(3.5)	2.4	(1.1)
Net Income (loss)	(43.3)	31.4	(11.9)	(12.6)	1.5	(11.1)	(30.7)	35.9	5.2	(2.3)	5.5	3.2
Less: Net income attributable to noncontrolling interests	-	-	-	-	-	-	0.1	-	0.1	-	-	-
Net Income (loss) attributable to Scholastic Corporation	($43.3)	$31.4	($11.9)	($12.6)	$1.5	($11.1)	($30.8)	$35.9	$5.1	($2.3)	$5.5	$3.2
Earnings (loss) per diluted share	($1.25)	$0.91	($0.34)	($0.36)	$0.04	($0.32)	($0.89)	$1.03	$0.15	($0.07)	$0.16	$0.09

1. In the three and nine months ended February 29, 2020, the Company recognized pretax severance of $3.2 and $6.9, respectively. In the nine months ended February 29, 2020, the Company recognized a pretax charge of $1.0 related to a settlement of an intellectual property producing agreement and a pretax settlement expense of $1.5. In the three and nine months ended February 28, 2019, the Company recognized pretax severance of $2.2 and $3.1, respectively, and pretax branch consolidation costs of $0.5 and $0.5, respectively. In the nine months ended February 28, 2019, the Company recognized a $4.3 pretax charge related to a legacy sales tax assessment.
2. In the three and nine months ended February 29, 2020, the Company recognized a pretax asset write down of $40.0 primarily resulting from lower anticipated requirements in the Company's clubs and fair channels.
3. In the three and nine months ended February 29, 2020, the Company recognized a benefit for income taxes in respect to one-time pretax charges of $11.8 and $13.5, respectively. In the three and nine months ended February 28, 2019, the Company recognized a benefit for income taxes in respect to one-time pretax charges of $0.7 and $2.1, respectively and $0.5 and $0.3, respectively, related to the remeasurement of the Company's state deferred tax balances.

Adjusted EBITDA

	Three Months Ended		Nine Months Ended	
	2/29/2020	2/28/2019	2/29/2020	2/28/2019
Earnings (loss) before income taxes as reported	($60.1)	($20.8)	($42.3)	($5.8)
One-time items before income taxes	43.2	2.7	49.4	7.9
Earnings (loss) before income taxes excluding one-time items	(16.9)	(18.1)	7.1	2.1
Interest (income) expense	(0.3)	(1.0)	(1.0)	(2.3)
Depreciation and amortization[1]	16.1	14.6	48.1	43.7
Amortization of prepublication and productions costs	6.7	5.9	19.7	16.6
Adjusted EBITDA[2]	$5.6	$1.4	$73.9	$60.1

1. For the three and nine months ended February 29, 2020, amounts include depreciation of $0.6 and $1.7, 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 $0.0 recognized in selling, general and administrative expenses. In the three and nine months ended February 28, 2019, amounts include depreciation of $0.8 and $2.2, respectively, recognized in cost of goods sold, and amortization of deferred financing costs of $0.1 and $0.2, 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.

Segment Results

	Third Quarter 2020			Third Quarter 2019			Fiscal Year to Date 2020			Fiscal Year to Date 2019		
	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	$43.4	$0.0	$43.4	$55.0	$0.0	$55.0	$137.3	$0.0	$137.3	$165.4	$0.0	$165.4
Book Fairs	100.1	-	100.1	97.4	-	97.4	351.7	-	351.7	343.3	-	343.3
Consolidated Trade	76.7	-	76.7	65.6	-	65.6	254.4	-	254.4	222.9	-	222.9
Total revenue	220.2	-	220.2	218.0	-	218.0	743.4	-	743.4	731.6	-	731.6
Operating income (loss)	2.2	-	2.2	4.4	-	4.4	70.1	-	70.1	64.7	-	64.7
Operating margin	1.0%		1.0%	2.0%		2.0%	9.4%		9.4%	8.8%		8.8%
Education												
Revenue	74.3	-	74.3	60.3	-	60.3	192.6	-	192.6	179.7	-	179.7
Operating income (loss)	9.8	-	9.8	0.3	-	0.3	2.6	-	2.6	(6.3)	-	(6.3)
Operating margin	13.2%		13.2%	0.5%		0.5%	1.3%		1.3%	-		-
International												
Revenue	78.8	-	78.8	81.8	-	81.8	267.1	-	267.1	271.9	-	271.9
Operating income (loss) [1]	(3.7)	-	(3.7)	(3.0)	0.5	(2.5)	4.3	-	4.3	8.0	0.5	8.5
Operating margin	-		-	-		-	1.6%		1.6%	2.9%		3.1%
Corporate overhead [2]	68.3	(43.2)	25.1	23.1	(2.2)	20.9	119.3	(49.4)	69.9	73.4	(7.4)	66.0
Operating income (loss)	($60.0)	$43.2	($16.8)	($21.4)	$2.7	($18.7)	($42.3)	$49.4	$7.1	($7.0)	$7.9	$0.9

1. In the three and nine months ended February 28, 2019, the Company recognized pretax branch consolidation costs of $0.5.
2. In the three and nine months ended February 29, 2020, the Company recognized a pretax asset write down of $40.0 primarily resulting from lower anticipated requirements in the Company's club and fair channels and pretax severance of $3.2 and $6.9, respectively. In the nine months ended February 29, 2020, the Company recognized a pretax charge of $1.0 related to a settlement of an intellectual property producing agreement and a pretax settlement expense of $1.5. In the three and nine months ended February 28, 2019, the Company recognized pretax severance of $2.2 and $3.1, respectively. In the nine months ended February 28, 2019, the Company recognized a $4.3 pretax charge related to a legacy sales tax assessment.

Selected Balance Sheet, Free Cash Flow & Net Debt

In $ Millions	Feb 29, 2020	Feb 28, 2019
Free cash flow (use) (3 month period ending)[1]	$4.9	($10.4)
Free cash flow (use) (9 month period ending)[1]	($25.9)	($42.8)
Accounts receivable, net	$281.2	$317.3
Inventories, net	$307.7	$356.8
Accounts payable	$187.9	$215.3
Accrued royalties	$77.3	$76.8
Total debt	$16.1	$11.0
Cash and cash equivalents	$263.8	$338.1
Net debt[2]	($247.7)	($327.1)

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, reduced by spending on property, plant and equipment and prepublication and production 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 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 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.

Fiscal 2020 View

Through the nine months ended February 29, 2020, the Company remained on course to achieve its operating goals for 2020 fiscal year revenues and Adjusted EBITDA (as defined in the accompanying tables). The Company's long-term capital investment plan also remained on target, although project spending is now being deferred to safeguard the Company's cash position against lower business volumes. Despite this solid performance to-date, the Company has advised that it cannot affirm its current guidance ranges as a direct result of mandated school closings in North America, the Company's largest market. The Company has already taken actions to help mitigate any adverse impact to profitability and cash flow in its fiscal fourth quarter, including: (1) a freeze on all spending not directly tied to short-term revenue; (2) reduced inventory purchasing; (3) a reduction in labor costs; and (4) temporary closures of warehousing and distribution centers in highly impacted regions, while working proactively with schools to support them through this period of disruption.

Question & Answer

Participants

- Richard Robinson
- Kenneth Cleary

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