



Second Quarter 2024 Earnings Call Presentation

Thursday, December 14, 2023

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.





Peter Warwick

President and Chief Executive Officer

Second Quarter 2024 Highlights

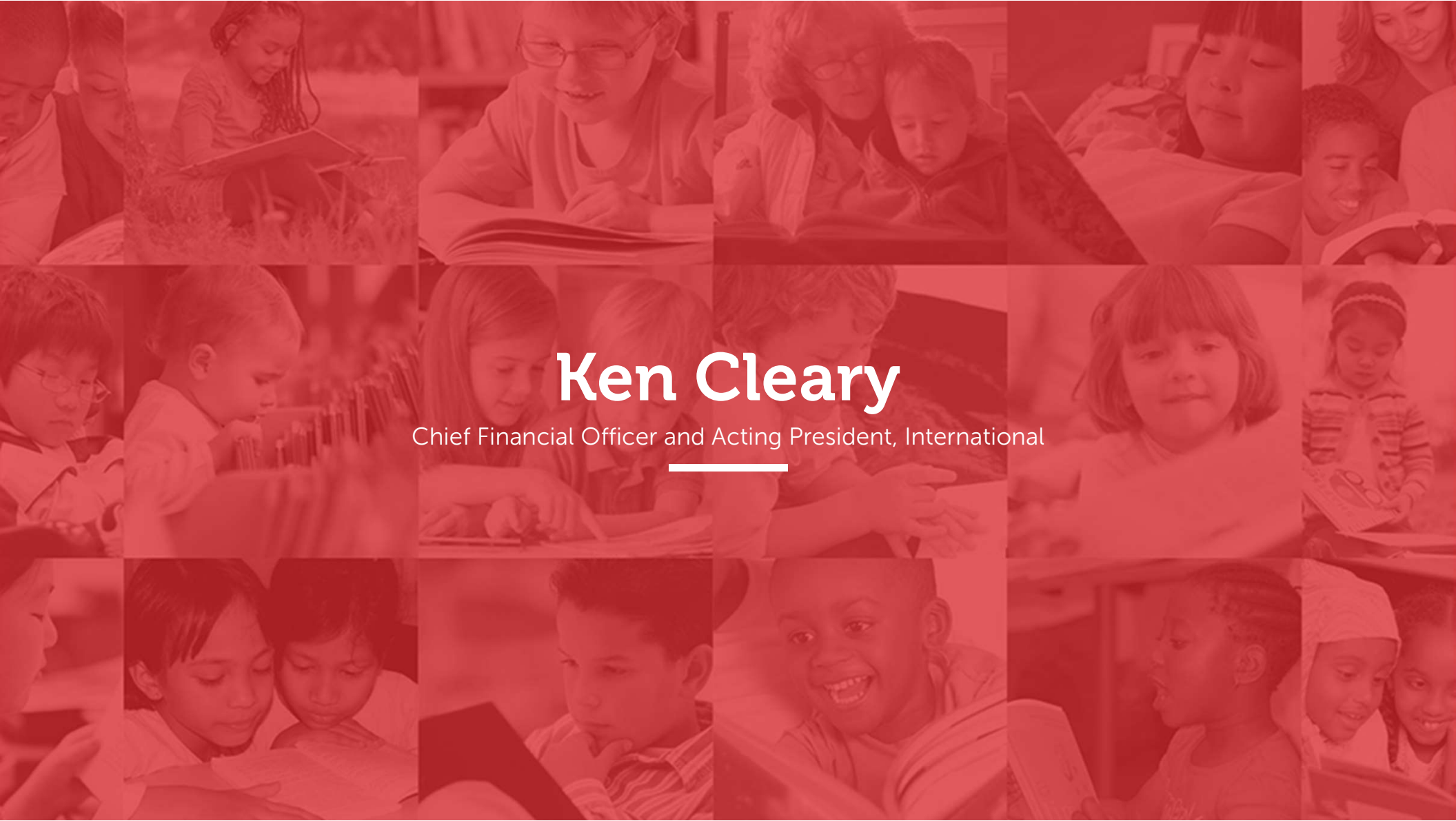
- Solid execution, with steady profits on modestly lower revenue, during important back-to-school season
- Continued to demonstrate Scholastic's unique ability to give millions of kids access to engaging, high-quality books, while creating and publishing best-selling books and IP for our own and third-party channels
- Returned over \$58 million to shareholders in Q2, while continuing to invest in growth initiatives, demonstrating long-term confidence
- Q2 results were below expectations for profit growth, largely reflecting external factors
- Revising FY24 guidance based on Q2 results and updated outlook for remainder of fiscal year



Second Quarter 2024 Segment Highlights

- Children's Books revenues decreased 6%, reflecting planned resizing of Book Clubs and lower expected production revenue in Entertainment division
 - Fairs revenues increased 1% on higher fair count, partly offset by lower revenue per fair; same-fair revenue per fair up modestly
 - Book Clubs revenues decreased 44% as business transitions to a more profitable core, with planned reduction in unprofitable offers and promotional spending resulting in lower orders
 - Consolidated Trade revenues down 1%, though up 3%, excluding lower timing-related Entertainment revenues, as new frontlist titles continued to dominate best-seller lists
- Education Solutions segment revenues increased 1%, reflecting higher sales of book collections through our partnerships with states and school districts
 - Announced investment in summer learning
- International revenues declined 4% in local currencies, as sales in Australia and New Zealand were impacted by continued softness in the retail market





Ken Cleary

Chief Financial Officer and Acting President, International

Second Quarter Segment Results (excluding one-time items)

In \$ Millions	Three Months Ended		
	11/30/2023	11/30/2022	Change
Children's Book Publishing and Distribution			
Book Clubs	\$ 32.4	\$ 57.6	(44)%
Book Fairs	242.1	240.8	1 %
School Reading Events	274.5	298.4	(8)%
Consolidated Trade	118.3	119.9	(1)%
Total Revenues	392.8	418.3	(6)%
Operating income (loss)	110.8	113.2	(2)%
Education Solutions			
Revenues	81.0	80.0	1 %
Operating income (loss)	5.8	7.0	(17)%
International			
Revenues	86.5	89.6	(3)%
Operating income (loss)	8.0	6.7	19 %
Overhead			
Operating income (loss)	(23.3)	(26.8)	13 %
Operating income (loss)	\$ 101.3	\$ 100.1	1 %

NM - Not meaningful



Second Quarter Balance Sheet and Cash Flow Results

In \$ Millions	November 30, 2023	November 30, 2022
Free cash flow (use) (3 month period ending) ⁽¹⁾	\$ 88.6	\$ 62.7
Free cash flow (use) (6 month period ending) ⁽¹⁾	\$ 30.8	\$ (13.8)
Accounts receivable, net	311.8	345.9
Inventories, net	302.3	380.4
Accounts payable	159.5	212.4
Deferred revenue	225.0	232.7
Accrued royalties	57.5	69.4
Total debt	6.3	4.8
Cash and cash equivalents	149.5	261.1
Net cash (debt) ⁽²⁾	143.2	256.3

- 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 cash (debt) is defined by the Company as cash and cash equivalents, net of lines of credit and short-term debt plus long-term-debt. 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 2024 Outlook

- Updating FY24 guidance for Adjusted EBITDA of \$165 million to \$175 million
 - Excludes impact of approximately \$7 million to \$10 million of one-time charges related to restructuring and cost-savings, of which \$6.3 million have already been incurred this fiscal year
- FY24 revenue now expected to be approximately level with or slightly below the prior year
- FY24 Free Cash Flow now forecast to be \$35 million to \$45 million
 - FY24 capex and prepublication spending expected to be \$100 million to \$110 million
- Taking steps to target additional revenue opportunities and align spending in the second half of the year
- Remain focused on long-term growth and capital allocation priorities, including returning capital to shareholders
 - Announced \$66 million addition to share repurchase authorization, now totaling \$100 million





Peter Warwick

President and Chief Executive Officer



Q&A



Appendix

Q2 FY24 Adjusted EBITDA

In \$ Millions	Three Months Ended	
	11/30/2023	11/30/2022
Earnings (loss) before income taxes as reported	\$ 101.5	\$ 100.9
One-time items before income taxes	—	—
Earnings (loss) before income taxes excluding one-time items	101.5	100.9
Interest (income) expense	(0.4)	(0.7)
Depreciation and amortization ⁽¹⁾	16.3	16.0
Amortization of prepublication costs	6.6	6.1
Adjusted EBITDA ⁽²⁾	\$ 124.0	\$ 122.3

1. For the three months ended November 30, 2023 and November 30, 2022, amounts include depreciation of \$0.6 and \$0.7, respectively, recognized in cost of goods sold, amortization of deferred financing costs of \$0.0 and \$0.0, respectively, and amortization of capitalized cloud software of \$1.6 and \$1.5, 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.



Q2 FY24 Earnings (before and after one-time items)

In \$ Millions (except per share)

	Second Quarter 2024			Second Quarter 2023			Fiscal Year to Date 2024			Fiscal Year to Date 2023		
	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⁾	\$ 2.45	\$ —	\$ 2.45	\$ 2.12	\$ —	\$ 2.12	\$ 0.09	\$ 0.15	\$ 0.23	\$ 0.84	\$ —	\$ 0.84
Net income (loss) ⁽²⁾	\$ 76.9	\$ —	\$ 76.9	\$ 75.3	\$ —	\$ 75.3	\$ 2.7	\$ 4.7	\$ 7.4	\$ 29.8	\$ —	\$ 29.8
Earnings (loss) before income taxes	\$ 101.5	\$ —	\$ 101.5	\$ 100.9	\$ —	\$ 100.9	\$ 3.5	\$ 6.3	\$ 9.8	\$ 43.0	\$ —	\$ 43.0
Children's Book Publishing and Distribution	\$ 110.8	\$ —	\$ 110.8	\$ 113.2	\$ —	\$ 113.2	\$ 69.3	\$ —	\$ 69.3	\$ 83.1	\$ —	\$ 83.1
Education Solutions	5.8	—	5.8	7.0	—	7.0	(12.9)	—	(12.9)	2.7	—	2.7
International ⁽³⁾	8.0	—	8.0	6.7	—	6.7	(0.2)	1.2	1.0	3.2	—	3.2
Overhead ⁽⁴⁾	(23.3)	—	(23.3)	(26.8)	—	(26.8)	(54.0)	5.1	(48.9)	(47.0)	—	(47.0)
Operating income (loss)	\$ 101.3	\$ —	\$ 101.3	\$ 100.1	\$ —	\$ 100.1	\$ 2.2	\$ 6.3	\$ 8.5	\$ 42.0	\$ —	\$ 42.0

- 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 six months ended November 30, 2023, the Company recognized a benefit of \$1.6 for income taxes in respect to one-time pretax items.
- In the six months ended November 30, 2023, the Company recognized pretax severance of \$1.2 related to restructuring and cost-savings initiatives.
- In the six months ended November 30, 2023, the Company recognized pretax severance of \$5.1 related to restructuring and cost-savings initiatives.

