UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended February 28, 2022 Commission File No. 000-19860

SCHOLASTIC CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	**13-3385513**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
557 Broadway,	
New York, New York	**10012**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 343-6100

Title of Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	SCHL	The NASDAQ Stock Market LLC

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date:

Title of each class	Number of shares outstanding as of February 28, 2022
Common Stock, $0.01 par value	32,763,535
Class A Stock, $0.01 par value	1,656,200

SCHOLASTIC

SCHOLASTIC CORPORATION

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED FEBRUARY 28, 2022

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

SCHOLASTIC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED
(Dollar amounts in millions, except per share data)

	Three months ended February 28,		Nine months ended February 28,	
	2022	**2021**	**2022**	**2021**
Revenues	**$ 344.5**	**$ 277.5**	**$ 1,128.5**	**$ 898.9**
Operating costs and expenses:				
Cost of goods sold	169.6	135.9	540.9	440.6
Selling, general and administrative expenses	180.8	140.2	512.7	433.8
Depreciation and amortization	13.6	14.7	43.0	46.0
Asset impairments and write downs	—	10.9	—	10.9
Total operating costs and expenses	364.0	301.7	1,096.6	931.3
Operating income (loss)	**(19.5)**	**(24.2)**	**31.9**	**(32.4)**
Interest income (expense), net	(0.4)	(1.7)	(2.2)	(4.1)
Other components of net periodic benefit (cost)	0.1	0.1	0.1	(0.1)
Gain (loss) on sale of assets and other	—	3.8	6.2	10.4
Earnings (loss) before income taxes	**(19.8)**	**(22.0)**	**36.0**	**(26.2)**
Provision (benefit) for income taxes	(4.7)	(8.0)	7.1	(7.6)
Net income (loss)	**(15.1)**	**(14.0)**	**28.9**	**(18.6)**
Less: Net income (loss) attributable to noncontrolling interest	0.2	(0.1)	0.1	0.0
Net income (loss) attributable to Scholastic Corporation	**$ (15.3)**	**$ (13.9)**	**$ 28.8**	**$ (18.6)**
Basic and diluted earnings (loss) per share of Class A and Common Stock				
Basic	$ (0.44)	$ (0.41)	$ 0.83	$ (0.54)
Diluted	$ (0.44)	$ (0.41)	$ 0.80	$ (0.54)

See accompanying notes

SCHOLASTIC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) - UNAUDITED
(Dollar amounts in millions)

	Three months ended February 28,		Nine months ended February 28,	
	2022	**2021**	**2022**	**2021**
Net income (loss)	**$ (15.1)**	**$ (14.0)**	**$ 28.9**	**$ (18.6)**
Other comprehensive income (loss), net:				
Foreign currency translation adjustments	1.6	6.3	(8.6)	17.4
Pension and postretirement adjustments (net of tax)	0.0	0.0	0.6	5.5
Total other comprehensive income (loss), net	**$ 1.6**	**$ 6.3**	**$ (8.0)**	**$ 22.9**
Comprehensive income (loss)	**$ (13.5)**	**$ (7.7)**	**$ 20.9**	**$ 4.3**
Less: Net income (loss) attributable to noncontrolling interest	0.2	(0.1)	0.1	0.0
Comprehensive income (loss) attributable to Scholastic Corporation	**$ (13.7)**	**$ (7.6)**	**$ 20.8**	**$ 4.3**

See accompanying notes

SCHOLASTIC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
(Dollar amounts in millions, except per share data)

	February 28, 2022 (unaudited)	May 31, 2021 (audited)	February 28, 2021 (unaudited)
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 308.9	$ 366.5	$ 353.2
Accounts receivable, net	287.7	256.1	238.0
Inventories, net	299.4	269.7	304.8
Income tax receivable	22.9	88.8	101.3
Prepaid expenses and other current assets	72.4	47.2	61.0
Total current assets	**991.3**	**1,028.3**	**1,058.3**
Noncurrent Assets:			
Property, plant and equipment, net	520.7	556.9	561.4
Prepublication costs, net	58.3	65.7	66.7
Operating lease right-of-use assets, net	69.3	78.6	76.8
Royalty advances, net	53.2	43.8	45.1
Goodwill	125.7	126.3	126.0
Noncurrent deferred income taxes	25.3	25.4	19.3
Other assets and deferred charges	96.7	83.3	81.4
Total noncurrent assets	**949.2**	**980.0**	**976.7**
Total assets	**$ 1,940.5**	**$ 2,008.3**	**$ 2,035.0**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Lines of credit and current portion of long-term debt	$ 13.7	$ 182.9	$ 190.7
Accounts payable	173.4	138.0	134.3
Accrued royalties	84.2	45.5	77.6
Deferred revenue	176.8	99.1	121.9
Other accrued expenses	184.8	202.0	177.6
Accrued income taxes	3.9	3.0	3.6
Operating lease liabilities	22.4	25.0	24.3
Total current liabilities	**659.2**	**695.5**	**730.0**
Noncurrent Liabilities:			
Long-term debt	—	7.3	—
Operating lease liabilities	57.1	67.4	67.3
Other noncurrent liabilities	38.9	55.8	60.9
Total noncurrent liabilities	**96.0**	**130.5**	**128.2**
Commitments and Contingencies (see Note 6)	**—**	**—**	**—**
Stockholders' Equity:			
Preferred Stock, $1.00 par value: Authorized, 2.0 shares; Issued and Outstanding, none	$ —	$ —	$ —
Class A Stock, $0.01 par value: Authorized, 4.0 shares; Issued and Outstanding, 1.7 shares	0.0	0.0	0.0
Common Stock, $0.01 par value: Authorized, 70.0 shares; Issued, 42.9 shares; Outstanding, 32.8, 32.7, and 32.7 shares, respectively	0.4	0.4	0.4
Additional paid-in capital	626.9	626.5	625.4
Accumulated other comprehensive income (loss)	(42.7)	(34.7)	(35.4)
Retained earnings	929.5	916.4	913.9
Treasury stock, at cost: 10.1, 10.2 and 10.2 shares, respectively	(330.3)	(327.8)	(328.9)
Total stockholders' equity of Scholastic Corporation	**1,183.8**	**1,180.8**	**1,175.4**
Noncontrolling interest	1.5	1.5	1.4
Total stockholders' equity	**1,185.3**	**1,182.3**	**1,176.8**
Total liabilities and stockholders' equity	**$ 1,940.5**	**$ 2,008.3**	**$ 2,035.0**

See accompanying notes

SCHOLASTIC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY - UNAUDITED
(Dollar amounts in millions, except per share data)

	Class A Stock		Common Stock								
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock At Cost	Total Stockholders' Equity of Scholastic Corporation	Noncontrolling Interest	Total Stockholders' Equity
Balance at June 1, 2020	**1.7**	**$ 0.0**	**32.5**	**$ 0.4**	**$ 622.4**	**$ (58.3)**	**$ 948.0**	**$ (333.3)**	**$ 1,179.2**	**$ 1.4**	**$ 1,180.6**
Net Income (loss)	—	—	—	—	—	—	(39.8)	—	(39.8)	0.0	(39.8)
Foreign currency translation adjustment	—	—	—	—	—	10.7	—	—	10.7	—	10.7
Pension and post-retirement adjustments (net of tax of $0.0)	—	—	—	—	—	0.1	—	—	0.1	—	0.1
Stock-based compensation	—	—	—	—	0.6	—	—	—	0.6	—	0.6
Treasury stock issued pursuant to equity-based plans	—	—	0.0	—	(0.2)	—	—	0.5	0.3	—	0.3
Dividends ($0.15 per share)	—	—	—	—	—	—	(5.1)	—	(5.1)	—	(5.1)
Balance at August 31, 2020	**1.7**	**$ 0.0**	**32.5**	**$ 0.4**	**$ 622.8**	**$ (47.5)**	**$ 903.1**	**$ (332.8)**	**$ 1,146.0**	**$ 1.4**	**$ 1,147.4**
Net Income (loss)	—	—	—	—	—	—	35.1	—	35.1	0.1	35.2
Foreign currency translation adjustment	—	—	—	—	—	0.4	—	—	0.4	—	0.4
Pension and post-retirement adjustments (net of tax of $1.8)	—	—	—	—	—	5.4	—	—	5.4	—	5.4
Stock-based compensation	—	—	—	—	3.0	—	—	—	3.0	—	3.0
Treasury stock issued pursuant to equity-based plans	—	—	0.1	—	(1.5)	—	—	3.1	1.6	—	1.6
Dividends ($0.15 per share)	—	—	—	—	—	—	(5.1)	—	(5.1)	—	(5.1)
Balance at November 30, 2020	**1.7**	**$ 0.0**	**32.6**	**$ 0.4**	**$ 624.3**	**$ (41.7)**	**$ 933.1**	**$ (329.7)**	**$ 1,186.4**	**$ 1.5**	**$ 1,187.9**
Net Income (loss)	—	—	—	—	—	—	(13.9)	—	(13.9)	(0.1)	(14.0)
Foreign currency translation adjustment	—	—	—	—	—	6.3	—	—	6.3	—	6.3
Pension and post-retirement adjustments (net of tax of $0.1)	—	—	—	—	—	0.0	—	—	—	—	—
Stock-based compensation	—	—	—	—	1.5	—	—	—	1.5	—	1.5
Treasury stock issued pursuant to equity-based plans	—	—	0.1	—	(0.4)	—	—	0.8	0.4	—	0.4
Dividends ($0.15 per share)	—	—	—	—	—	—	(5.3)	—	(5.3)	—	(5.3)
Balance at February 29, 2021	**1.7**	**$ 0.0**	**32.7**	**$ 0.4**	**$ 625.4**	**$ (35.4)**	**$ 913.9**	**$ (328.9)**	**$ 1,175.4**	**$ 1.4**	**$ 1,176.8**

See accompanying notes

	Class A Stock		Common Stock								
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock At Cost	Total Stockholders' Equity of Scholastic Corporation	Noncontrolling Interest	Total Stockholders' Equity
Balance at June 1, 2021	**1.7**	**$ 0.0**	**32.7**	**$ 0.4**	**$ 626.5**	**$ (34.7)**	**$ 916.4**	**$ (327.8)**	**$ 1,180.8**	**$ 1.5**	**$ 1,182.3**
Net Income (loss)	—	—	—	—	—	—	(24.2)	—	(24.2)	(0.2)	(24.4)
Foreign currency translation adjustment	—	—	—	—	—	(5.8)	—	—	(5.8)	—	(5.8)
Pension and post-retirement adjustments (net of tax of $0.1)	—	—	—	—	—	0.1	—	—	0.1	—	0.1
Stock-based compensation	—	—	—	—	1.5	—	—	—	1.5	—	1.5
Proceeds pursuant to stock-based compensation plans	—	—	—	—	0.5	—	—	—	0.5	—	0.5
Treasury stock issued pursuant to equity-based plans	—	—	0.1	—	(0.9)	—	—	1.5	0.6	—	0.6
Dividends ($0.15 per share)	—	—	—	—	—	—	(5.2)	—	(5.2)	—	(5.2)
Balance at August 31, 2021	**1.7**	**$ 0.0**	**32.8**	**$ 0.4**	**$ 627.6**	**$ (40.4)**	**$ 887.0**	**$ (326.3)**	**$ 1,148.3**	**$ 1.3**	**$ 1,149.6**
Net Income (loss)	—	—	—	—	—	—	68.3	—	68.3	0.1	68.4
Foreign currency translation adjustment	—	—	—	—	—	(4.4)	—	—	(4.4)	—	(4.4)
Pension and post-retirement adjustments (net of tax of $(0.1))	—	—	—	—	—	0.5	—	—	0.5	—	0.5
Stock-based compensation	—	—	—	—	3.0	—	—	—	3.0	—	3.0
Proceeds pursuant to stock-based compensation plans	—	—	—	—	2.1	—	—	—	2.1	—	2.1
Purchases of treasury stock at cost	—	—	(0.1)	—	—	—	—	(4.2)	(4.2)	—	(4.2)
Treasury stock issued pursuant to equity-based plans	—	—	0.2	—	(7.6)	—	—	8.0	0.4	—	0.4
Dividends ($0.15 per share)	—	—	—	—	—	—	(5.2)	—	(5.2)	—	(5.2)
Other (noncontrolling interest)	—	—	—	—	—	—	—	—	—	(0.2)	(0.2)
Balance at November 30, 2021	**1.7**	**$ 0.0**	**32.9**	**$ 0.4**	**$ 625.1**	**$ (44.3)**	**$ 950.1**	**$ (322.5)**	**$ 1,208.8**	**$ 1.2**	**$ 1,210.0**
Net Income (loss)	—	—	—		—	—	(15.3)	—	(15.3)	0.2	(15.1)
Foreign currency translation adjustment	—	—	—	—	—	1.6	—	—	1.6	—	1.6
Pension and post-retirement adjustments (net of tax of $0.0)	—	—	—	—	—	0.0	—	—	0.0	—	0.0
Stock-based compensation	—	—	—	—	1.6	—	—	—	1.6	—	1.6
Proceeds pursuant to stock-based compensation plans	—	—	—	—	7.3	—	—	—	7.3	—	7.3
Purchases of treasury stock at cost	—	—	(0.4)	—	—	—	—	(15.4)	(15.4)	—	(15.4)
Treasury stock issued pursuant to equity-based plans	—	—	0.3	—	(7.1)	—	—	7.6	0.5	—	0.5
Dividends ($0.15 per share)	—	—	—	—	—	—	(5.3)	—	(5.3)	—	(5.3)
Other (noncontrolling interest)	—	—	—	—	—	—	—	—	—	0.1	0.1
Balance at February 28, 2022	**1.7**	**$ 0.0**	**32.8**	**$ 0.4**	**$ 626.9**	**$ (42.7)**	**$ 929.5**	**$ (330.3)**	**$ 1,183.8**	**$ 1.5**	**$ 1,185.3**

See accompanying notes

SCHOLASTIC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED
(Dollar amounts in millions)

	Nine months ended	
	February 28, 2022	**February 28, 2021**
Cash flows - operating activities:		
Net income (loss) attributable to Scholastic Corporation	**$ 28.8**	**$ (18.6)**
Adjustments to reconcile Net income (loss) to net cash provided by (used in) operating activities:		
Provision for losses on accounts receivable	8.5	3.4
Provision for losses on inventory	12.7	10.4
Provision for losses on royalty advances	2.6	4.4
Amortization of prepublication costs	19.9	19.0
Depreciation and amortization	49.0	49.3
Amortization of pension and postretirement plans	(0.0)	0.0
Deferred income taxes	(0.3)	0.1
Stock-based compensation	6.1	5.1
Income from equity-method investments	(1.6)	(6.1)
Non cash write off related to asset impairments and write downs	—	10.9
(Gain) loss on sale of assets	(6.2)	(10.4)
Changes in assets and liabilities, net of amounts acquired:		
Accounts receivable	(43.4)	5.0
Inventories	(46.2)	(36.4)
Prepaid expenses and other current assets	(25.8)	(17.3)
Income tax receivable	65.8	(11.1)
Royalty advances	(12.5)	(8.4)
Accounts payable	37.2	(21.0)
Accrued income taxes	1.1	1.9
Accrued royalties	39.5	38.3
Deferred revenue	78.4	3.6
Other accrued expenses	(19.4)	6.1
Other, net	(15.7)	8.3
Net cash provided by (used in) operating activities	178.5	36.5
Cash flows - investing activities:		
Prepublication expenditures	(13.0)	(15.3)
Additions to property, plant and equipment	(28.0)	(37.1)
Net proceeds from sale of assets	10.4	17.4
Other	0.1	0.1
Net cash provided by (used in) investing activities	(30.5)	(34.9)
Cash flows - financing activities:		
Borrowings under lines of credit, credit agreement and revolving loan	2.4	3.0
Repayments of lines of credit, credit agreement and revolving loan	(178.2)	(32.1)
Repayment of capital lease obligations	(1.7)	(1.7)
Reacquisition of common stock	(19.5)	—
Proceeds pursuant to stock-based compensation plans	9.6	—
Payment of dividends	(15.5)	(15.4)
Net cash provided by (used in) financing activities	(202.9)	(46.2)
Effect of exchange rate changes on cash and cash equivalents	(2.7)	4.0
Net increase (decrease) in cash and cash equivalents	(57.6)	(40.6)
Cash and cash equivalents at beginning of period	366.5	393.8
Cash and cash equivalents at end of period	**$ 308.9**	**$ 353.2**

See accompanying notes

1. BASIS OF PRESENTATION

Principles of consolidation

The accompanying condensed consolidated interim financial statements (referred to as the “Financial Statements” herein) include the accounts of Scholastic Corporation (the “Corporation”) and all wholly-owned and majority-owned subsidiaries (collectively, “Scholastic” or the “Company”). Intercompany transactions are eliminated in consolidation.

The Company’s fiscal year is not a calendar year. Accordingly, references in this document to fiscal 2022 relate to the twelve-month period ending May 31, 2022.

Certain prior period amounts have been reclassified to conform with the current year presentation.

Noncontrolling Interest

The Company owns a 95.0% majority ownership interest in Make Believe Ideas Limited ("MBI"), a UK-based children's book publishing company. The founder and chief executive officer of MBI retains a 5.0% noncontrolling ownership interest in MBI. The Company fully consolidated MBI as of the acquisition date, and the 5.0% noncontrolling interest is classified within stockholder's equity.

Interim Financial Statements

The accompanying Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (“SEC”) for interim financial information, and should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended May 31, 2021. The Financial Statements presented in this Quarterly Report on Form 10-Q are unaudited; however, in the opinion of management, the Financial Statements reflect all adjustments, consisting solely of normal, recurring adjustments, necessary for the fair presentation of the Financial Statements for the periods presented.

Seasonality

The Company’s *Children’s Book Publishing and Distribution* school-based book club and book fair channels and most of its *Education Solutions* businesses operate on a school-year basis; therefore, the Company’s business is highly seasonal. As a result, the Company’s revenues in the first and third quarters of the fiscal year generally are lower than its revenues in the other two fiscal quarters. Typically, school-based channels and magazine revenues are minimal in the first quarter of the fiscal year as schools are not in session. Education channel revenues are generally higher in the first and fourth quarters. Trade sales can vary throughout the year due to varying release dates of published titles. Presently, there remain uncertainties concerning the timing of and any patterns which may emerge with respect to school instruction, whether in-school, remote or hybrid for the school year, and the nature and continuing magnitude of the negative impact of COVID-19 into and beyond the fourth quarter of fiscal 2022.

Use of estimates

The preparation of these Financial Statements involves the use of estimates and assumptions by management, which affects the amounts reported in the Financial Statements and accompanying notes. The Company bases its estimates on historical experience, current business factors, and various other assumptions believed to be reasonable under the circumstances, all of which are necessary, in order to form a basis for determining the carrying values of certain assets and liabilities. Actual results may differ from those estimates and assumptions. On an on-going basis, the Company evaluates the adequacy of its reserves and the estimates used in these calculations, including, but not limited to:

- Accounts receivable allowance for credit losses
- Pension and postretirement benefit plans
- Uncertain tax positions
- The timing and amount of future income taxes and related deductions
- Inventory reserves

- Cost of goods sold from book fair operations during interim periods based on estimated gross profit rates
- Sales tax contingencies
- Royalty advance reserves and royalty expense accruals
- Impairment testing for goodwill, intangible and other long-lived assets and investments
- Assets and liabilities acquired in business combinations
- Variable consideration related to anticipated returns
- Allocation of transaction price to contractual performance obligations

Sale of Long-lived Assets

During the second quarter of fiscal 2022, the Company sold a facility, which included office and warehouse space, located in Lake Mary, Florida as part of an initiative to rightsize its real estate footprint to reduce occupancy costs. The long-lived assets, which consisted of land, building, building improvements, furniture and fixtures, were included in the *Children's Book Publishing and Distribution* segment. These assets had a carrying value of $4.2 and were classified as held for sale as of the third quarter of fiscal 2021. The net proceeds from the sale were $10.4 and the Company recognized a gain on sale of $6.2.

During the third quarter of fiscal 2021, the Company sold the UK distribution center located in Southam. The long-lived assets related to the Southam facility, which consisted of land, building and building improvements, were included in the International segment. The assets had a carrying value of $1.3 and were classified as held for sale as of the fiscal year ended May 31, 2020. The net proceeds from the sale were $5.1 and the Company recognized a gain on sale of $3.8.

During the first quarter of fiscal 2021, the Company-owned facility located in Danbury, Connecticut was sold and the Company relocated the book fairs warehousing and distribution operations conducted in Danbury to a warehouse in Easton, Pennsylvania. The long-lived assets related to the Danbury facility, which consisted of land, building, and building improvements, were included in the *Overhead* segment. These assets had a carrying value of $5.7 and were classified as held for sale as of the fiscal year ended May 31, 2020. The net proceeds from the sale were $12.3 and the Company recognized a gain on sale of $6.6.

The amounts recognized as a gain on sale are included within Gain (loss) on sale of assets and other within the Company's Condensed Consolidated Statements of Operations.

Assets Held For Sale

During the third quarter of fiscal 2020, the Company committed to a plan to sell the UK distribution center located in Witney to consolidate the operations into a new facility in Warwickshire. These assets are included in the *International* segment. The long-lived assets which consist of building and building improvements are classified as held for sale. These assets are carried at the lower of carrying value or fair value less costs to sell and no additional depreciation is being recognized. As of February 28, 2022, the carrying amount was $2.2 which is included in Property, plant and equipment, net within the Company's Condensed Consolidated Balance Sheets. During the second quarter of fiscal 2022, the Company entered into a purchase and sale agreement for this facility and expects a gain on the sale to be recognized in the fourth quarter of fiscal 2022.

New Accounting Pronouncements

There were no new accounting pronouncements issued in the third quarter of fiscal 2022 which would impact the Company. Refer to the Company’s Annual Report on Form 10-K for the fiscal year ended May 31, 2021 for more information on current applicable authoritative guidance and its impact on the Company's financial statements.

Current Fiscal Year Adoptions:

ASU No. 2019-12
The Company adopted ASU No. 2019-12 as of the beginning of the first quarter of fiscal 2022 which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, *Income Taxes*, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. Most amendments

(Dollar amounts in millions, except per share data)

within ASU No. 2019-12 are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. As of the first quarter of fiscal 2022, the Company adopted the applicable amendments of the ASU using the modified retrospective basis for those amendments that are not applied on a prospective basis. The adoption of ASU No. 2019-12 did not have a material impact on the Company's Condensed Consolidated Financial Statements.

2. REVENUES

Disaggregated Revenue Data

Effective June 1, 2021, the former “Education” reportable segment was renamed as the “Education Solutions” reportable segment, in connection with the consolidation of the segment’s multiple channels into a single Education Solutions group.

The following table presents the Company’s segment revenues disaggregated by region and domestic channel:

	Three months ended February 28,		Nine months ended February 28,	
	2022	**2021**	**2022**	**2021**
Book Clubs - U.S.	$ 40.5	$ 35.1	$ 99.2	$ 107.9
Book Fairs - U.S.	76.0	27.0	268.2	87.9
Trade - U.S.	77.1	74.7	266.6	256.9
Trade - International[1]	7.4	6.1	35.3	26.5
Total Children's Book Publishing and Distribution	**$ 201.0**	**$ 142.9**	**$ 669.3**	**$ 479.2**
Education Solutions - U.S.	$ 77.2	$ 66.3	$ 236.8	$ 187.4
Total Education Solutions	**$ 77.2**	**$ 66.3**	**$ 236.8**	**$ 187.4**
International - Major Markets[2]	$ 48.8	$ 46.2	$ 175.1	$ 169.3
International - Other Markets[3]	17.5	22.1	47.3	63.0
Total International	**$ 66.3**	**$ 68.3**	**$ 222.4**	**$ 232.3**
Total Revenues	**$ 344.5**	**$ 277.5**	**$ 1,128.5**	**$ 898.9**

(1) Primarily includes foreign rights and certain product sales in the UK.
(2) Includes Canada, UK, Australia and New Zealand.
(3) Primarily includes markets in Asia.

Estimated Returns

A liability for expected returns of $48.8, $45.2, and $51.6 is recorded within Other accrued expenses as of February 28, 2022, May 31, 2021, and February 28, 2021, respectively. In addition, a return asset of $4.5, $3.4, and $3.9 is recorded within Prepaid expenses and other current assets as of February 28, 2022, May 31, 2021, and February 28, 2021, respectively, for the recoverable cost of product estimated to be returned by customers.

(Dollar amounts in millions, except per share data)

Deferred Revenue

The following table presents further detail regarding the Company's deferred revenue balance as of the dates indicated:

	February 28, 2022	May 31, 2021	February 28, 2021
Book fairs incentive credits	$ 82.7	$ 59.4	$ 57.9
Magazines+ subscriptions	30.4	4.6	28.4
U.S. digital subscriptions	18.2	11.9	13.6
U.S. education-related(1)	12.5	6.2	6.4
Media-related	11.6	2.5	0.4
Stored value cards	8.8	2.9	2.2
Other(2)	12.6	11.6	13.0
Total deferred revenue	**$ 176.8**	**$ 99.1**	**$ 121.9**

(1) Primarily includes deferred revenue related to contracts with school districts and professional services.
(2) Primarily includes deferred revenue related to various international products and services.

The Company's deferred revenue consists of contract liabilities for advance billings and payments received from customers in excess of revenue recognized and revenue allocated to outstanding book fairs incentive credits. These liabilities are recorded within Deferred revenue on the Company's Condensed Consolidated Balance Sheets and are classified as short term, as substantially all of the associated performance obligations are expected to be satisfied, and related revenue recognized, within one year. The Company recognized revenue which was included in the opening deferred revenue balance in the amount of $21.2 and $15.5 for the three months ended February 28, 2022 and February 28, 2021, respectively, and $64.4 and $56.6 for the nine months ended February 28, 2022 and February 28, 2021, respectively.

Allowance for Credit Losses

The Company recognizes an allowance for credit losses on trade receivables that are expected to be incurred over the lifetime of the receivable. Reserves for estimated credit losses are established at the time of sale and are based on relevant information about past events, current conditions, and supportable forecasts impacting its ultimate collectability, including specific reserves on a customer-by-customer basis, creditworthiness of the Company’s customers and prior collection experience. The Company reviews new information as it becomes available and makes adjustments to the reserves accordingly. At the time the Company determines that a receivable balance, or any portion thereof, is deemed to be permanently uncollectible, the balance is then written off.

The following table presents the change in the allowance for credit losses, which is included in Accounts Receivable, net on the Condensed Consolidated Balance Sheets:

	Allowance for Credit Losses
Balance as of June 1, 2021	**$ 21.4**
Current period provision	1.6
Write-offs and other	(1.2)
Balance as of August 31, 2021	**$ 21.8**
Current period provision	4.2
Write-offs and other	(3.1)
Balance as of November 30, 2021	**$ 22.9**
Current period provision	2.7
Write-offs and other	(2.3)
Balance as of February 28, 2022	**$ 23.3**

(Dollar amounts in millions, except per share data)

3. SEGMENT INFORMATION

The Company categorizes its businesses into three reportable segments: *Children's Book Publishing and Distribution, Education Solutions* and *International*.

- **Children's Book Publishing and Distribution** operates as an integrated business which includes the publication and distribution of children's books, ebooks, media and interactive products primarily in the United States through its book clubs and book fairs in its school channels and through the trade channel. This segment is comprised of three operating segments.

- **Education Solutions** includes the publication and distribution to schools and libraries of children's books, classroom magazines, print and digital supplemental and core classroom materials and related support services, and print and on-line reference and non-fiction products for grades pre-kindergarten to 12 in the United States. This segment is comprised of one operating segment.

- **International** includes the publication and distribution of products and services outside the United States by the Company's international operations and its export businesses. This segment is comprised of three operating segments.

The following table sets forth the Company's revenue and operating income (loss) by segment for the fiscal quarters ended February 28, 2022 and February 28, 2021:

	Three months ended February 28,		Nine months ended February 28,	
	2022	**2021**	**2022**	**2021**
ues				
n's Book Publishing and Distribution	$ 201.0	$ 142.9	$ 669.3	$ 479.2
ion Solutions	77.2	66.3	236.8	187.4
tional	66.3	68.3	222.4	232.3
	$ 344.5	**$ 277.5**	**$ 1,128.5**	**$ 898.9**
ing income (loss)				
n's Book Publishing and Distribution	$ 5.0	$ (7.6)	$ 68.5	$ (1.2)
ion Solutions	13.1	9.7	36.0	17.6
tional	(5.0)	(1.0)	2.0	21.7
ad (1)	(32.6)	(25.3)	(74.6)	(70.5)
	$ (19.5)	**$ (24.2)**	**$ 31.9**	**$ (32.4)**

head includes all domestic corporate amounts not allocated to segments, including expenses and costs related to the management of corporate assets.

4. ASSET WRITE DOWN

The Company did not recognize any asset write downs through the end of the third fiscal quarter of fiscal 2022.

During the third quarter of fiscal 2021, the Company committed to a plan to cease use of certain leased office space in New York City and consolidate into the company-owned New York headquarters building. The right-of-use (ROU) assets and the other long-lived assets associated with these operating leases are included in the *Overhead* segment. An impairment expense of $8.5 was recognized in the prior period, of which $7.0 related to the ROU assets and $1.5 related to other long-lived assets, primarily leasehold improvements. Also during the third quarter of fiscal 2021, the Company committed to a plan to permanently close 12 of the 54 book fairs warehouses in the U.S. as part of a branch consolidation project. The ROU assets and the other long-lived assets associated with these warehouse operating leases are included in the *Children's Book Publishing and Distribution* segment. An impairment expense of $2.4 was recognized in the prior period, primarily related to the ROU assets. The impact of the total $10.9 impairment was a loss per basic and diluted share of Class A and Common Stock of $0.23 in the three and nine month periods ended February 28, 2021.

(Dollar amounts in millions, except per share data)

5. DEBT

The following table summarizes the carrying value of the Company's debt as of the dates indicated:

	February 28, 2022	May 31, 2021	February 28, 2021
US Revolving Credit Agreement	$ —	$ 175.0	$ 175.0
Unsecured lines of credit	6.8	7.9	8.5
UK Loans	6.9	7.3	7.2
Total debt	**$ 13.7**	**$ 190.2**	**$ 190.7**
Less lines of credit, short-term debt and current portion of long-term debt	(13.7)	(182.9)	(190.7)
Total long-term debt	**$ —**	**$ 7.3**	**$ —**

The Company's debt obligations as of February 28, 2022 have maturities of one year or less.

US Credit Agreement

On October 27, 2021, Scholastic Corporation (the “Corporation”) and its principal operating subsidiary, Scholastic Inc., entered into an amended and restated 5-year credit agreement with a syndicate of banks and Bank of America, N.A., as administrative agent (the “Credit Agreement”). The arrangement was accounted for as a debt modification. The revised terms of the amended Credit Agreement include the following:

- an increase in borrowing limits to $300.0 from $250.0, as amended on December 16, 2020;
- the elimination of the required securitization of the Company’s inventory and accounts receivable;
- an unlimited basket for permitted payments of dividends and other distributions in respect of capital stock so long as the Corporation’s pro forma Consolidated Net Leverage Ratio, as defined, is not in excess of 2.75:1;
- the elimination of a minimum liquidity covenant;
- the removal of an interest rate floor; and
- the extension of the maturity date to October 27, 2026.

The Credit Agreement provides for an unsecured revolving credit facility and allows the Company to borrow, repay or prepay and reborrow at any time prior to the October 27, 2026 maturity date. Under the Credit Agreement, interest on amounts borrowed thereunder is due and payable in arrears on the last day of the interest period (defined as the period commencing on the date of the advance and ending on the last day of the period selected by the Borrower at the time each advance is made). The interest pricing under the Credit Agreement is dependent upon the Borrower’s election of a rate that is either:

- a Base Rate equal to the higher of (i) the prime rate, (ii) the prevailing Federal Funds rate plus 0.50% or (iii) the Eurodollar Rate plus 1.00% plus, in each case, an applicable margin ranging from 0.35% to 0.75%, as determined by the Company’s prevailing Consolidated Leverage Ratio (as defined in the Credit Agreement);

- or -

- a Eurodollar Rate equal to the London interbank offered rate (LIBOR), plus an applicable margin ranging from 1.35% to 1.75%, as determined by the Company’s prevailing Consolidated Leverage Ratio.

As of February 28, 2022, the applicable margin on Base Rate Advances was 0.35% and the applicable margin on Eurodollar Advances was 1.35%, both based on the Company’s prevailing Consolidated Leverage Ratio.

The Credit Agreement provides for payment of a commitment fee in respect of the aggregate unused amount of revolving credit commitments ranging from 0.20% per annum to 0.30% per annum based upon the Corporation’s then prevailing Consolidated Leverage Ratio. As of February 28, 2022, the commitment fee rate was 0.20%.

A portion of the revolving credit facility, up to a maximum of $50.0, is available for the issuance of letters of credit. In addition, a portion of the revolving credit facility, up to a maximum of $15.0, is available for swingline loans. The Credit Agreement has an accordion feature which permits the Company, provided certain conditions are satisfied, to increase the facility by up to an additional $150.0.

As of February 28, 2022, the Company had no outstanding borrowings under the Credit Agreement. During the first and second quarters of fiscal 2022, the Company paid down $100.0 and $75.0, respectively, of the remaining borrowings as of the beginning of the fiscal year.

The Credit Agreement contains certain financial covenants related to leverage and interest coverage ratios (as defined in the Credit Agreement), limitations on the amount of dividends and other distributions, and other limitations on fundamental changes to the Corporation or its business. The Company was in compliance with required covenants for all periods presented.

At February 28, 2022, the Company had open standby letters of credit totaling $4.3 issued under certain credit lines, including $0.4 under the Credit Agreement and $3.9 under the domestic credit lines discussed below.

UK Loan Agreements

On January 24, 2020, Scholastic Limited UK entered into a term loan facility to fund the construction of the new UK facility in Warwickshire. As of February 28, 2022, the borrowing limit was £3.2. The loan had an original maturity date of July 31, 2021, which was extended to July 31, 2022 in May 2021. Under the agreement, the principal balance is due in full in a single payment on the last day of the term and interest on the amount borrowed is due and payable quarterly. The interest was charged at 1.77% per annum over the Base Rate until July 31, 2021 and 2.25% per annum over the Base Rate thereafter. The Base Rate is currently equal to 0.50% per annum and is subject to change. As of February 28, 2022, the Company had $4.2 outstanding on the loan and no remaining available credit under this facility.

On September 23, 2019, Scholastic Limited UK entered into a term loan agreement to borrow £2.0 to fund a land purchase in connection with the construction of the new UK facility in Warwickshire. The loan had an original maturity date of July 31, 2021, which was extended to July 31, 2022 in May 2021. Under the agreement, the principal balance is due in full in a single payment on the last day of the term and interest on the amount borrowed is due and payable quarterly. The interest was charged at 1.77% per annum over the Base Rate until July 31, 2021 and 2.25% per annum over the Base Rate thereafter. The Base Rate is currently equal to 0.50% per annum and is subject to change. As of February 28, 2022, the Company had $2.7 outstanding on the loan.

Lines of Credit

As of February 28, 2022, the Company's domestic credit lines available under unsecured money market bid rate credit lines totaled $10.0. There were no outstanding borrowings under these credit lines as of February 28, 2022, May 31, 2021 and February 28, 2021. As of February 28, 2022, availability under these unsecured money market bid rate credit lines totaled $6.1. All loans made under these credit lines are at the sole discretion of the lender and at an interest rate and term agreed to at the time each loan is made, but not to exceed 365 days. These credit lines may be renewed, if requested by the Company, at the option of the lender.

As of February 28, 2022, the Company had various local currency international credit lines totaling $27.7 underwritten by banks primarily in the United States, Canada and the United Kingdom. Outstanding borrowings under these facilities were $6.8 at February 28, 2022 at a weighted average interest rate of 5.1%, $7.9 at May 31, 2021 at a weighted average interest rate of 4.7%, and $8.5 at February 28, 2021 at a weighted average interest rate of 4.6%. As of February 28, 2022, the amounts available under these facilities totaled $20.9. These credit lines are typically available for overdraft borrowings or loans up to 364 days and may be renewed, if requested by the Company, at the sole option of the lender.

6. COMMITMENTS AND CONTINGENCIES

COVID-19

The COVID-19 pandemic and actions taken, or which may be taken in the future following any changes in restrictions based on the future course of the pandemic, by governments, businesses and individuals to limit the spread of the virus may continue to have an adverse effect on the Company's results of operations and financial condition.

The Company is not currently aware of any loss contingencies related to the foregoing that would require recognition in the third quarter of fiscal 2022.

Legal Matters

Various claims and lawsuits arising in the normal course of business are pending against the Company. The Company accrues a liability for such matters when it is probable that a liability has occurred and the amount of such liability can be reasonably estimated. When only a range can be estimated, the most probable amount in the range is accrued unless no amount within the range is a better estimate than any other amount, in which case the minimum amount in the range is accrued. Legal costs associated with litigation are expensed in the period in which they are incurred. The Company does not expect, in the case of those various claims and lawsuits arising in the normal course of business where a loss is considered probable or reasonably possible, that the reasonably possible losses from such claims and lawsuits (either individually or in the aggregate) would have a material adverse effect on the Company's consolidated financial position or results of operations.

On July 20, 2021, the Company, along with its co-defendants in a certain legal proceeding, executed a settlement agreement regarding certain licenses and trademarks related to intellectual property used in formerly owned products, which were included in the sale of the educational technology and services business that occurred in fiscal 2015. Without admitting to the allegations raised, the agreement required the Company to pay $20.0 in a one-time cash payment to avoid the uncertainties of trial and the additional costs of preparing for and presenting an on-going legal defense in this matter. The Company recognized an accrual for the settlement amount in fiscal 2021 as the events that gave rise to the litigation had taken place prior to May 31, 2021. The settlement was paid in September 2021. The Company received $6.6 in recoveries from its insurance programs during the first quarter of fiscal 2022, which was recognized as an offset to the legal settlement and reflected in Selling, general and administrative expenses in the Company's Condensed Consolidated Statement of Operations. While the Company expects to receive additional recoveries from its insurance programs, it is premature to determine with any level of probability or accuracy the amount of those recoveries at this time.

7. EARNINGS (LOSS) PER SHARE

The following table summarizes the reconciliation of the numerators and denominators for the basic and diluted earnings (loss) per share computation for the periods indicated:

	Three months ended February 28,		Nine months ended February 28,	
	2022	**2021**	**2022**	**2021**
Net income (loss) attributable to Class A and Common Stockholders	**$ (15.3)**	**$ (13.9)**	**$ 28.6**	**$ (18.6)**
Weighted average Shares of Class A Stock and Common Stock outstanding for basic earnings (loss) per share (in millions)	34.6	34.3	34.6	34.3
Dilutive effect of Class A Stock and Common Stock potentially issuable pursuant to stock-based compensation plans (in millions) *	—	—	1.0	—
Adjusted weighted average Shares of Class A Stock and Common Stock outstanding for diluted earnings (loss) per share (in millions)	34.6	34.3	35.6	34.3
Earnings (loss) per share of Class A Stock and Common Stock:				
Basic	**$ (0.44)**	**$ (0.41)**	**$ 0.83**	**$ (0.54)**
Diluted	**$ (0.44)**	**$ (0.41)**	**$ 0.80**	**$ (0.54)**

* The Company experienced a net loss for the three month period ended February 28, 2022 and the three and nine month periods ended February 28, 2021 and therefore did not report any dilutive share impact.

Net income (loss) attributable to Class A and Common Stockholders excludes earnings of $0.2 for the nine month period ended February 28, 2022, for earnings attributable to participating restricted stock units. The Company experienced a loss for the three month period ended February 28, 2022 and the three and nine month periods ended February 28, 2021 and therefore did not allocate any loss to certain participating restricted stock units.

The following table sets forth options outstanding pursuant to stock-based compensation plans as of the dates indicated:

	February 28, 2022	February 28, 2021
Options outstanding pursuant to stock-based compensation plans (in millions)	4.6	5.1

There were 0.6 million of potentially anti-dilutive shares pursuant to stock-based compensation plans as of February 28, 2022.

A portion of the Company's Restricted Stock Units ("RSUs"), which are granted to employees, participate in earnings through cumulative dividends. These dividends are payable and non-forfeitable to the employees upon vesting of the RSUs. Accordingly, the Company measures earnings per share based upon the lower of the Two-class method or the Treasury Stock method.

As of February 28, 2022, $47.7 remained available for future purchases of common shares under the repurchase authorization of the Board of Directors (the "Board") in effect on that date. See Note 12, Treasury Stock, for a more complete description of the Company's share buy-back program.

8. GOODWILL AND OTHER INTANGIBLES

The Company assesses goodwill and other intangible assets with indefinite lives for impairment annually or more frequently if indicators arise. The Company monitors impairment indicators in light of changes in market conditions, near and long-term demand for the Company's products and other relevant factors.

The following table summarizes the activity in Goodwill for the periods indicated:

	February 28, 2022	May 31, 2021	February 28, 2021
Gross beginning balance	$ 165.9	$ 164.5	$ 164.5
Accumulated impairment	(39.6)	(39.6)	(39.6)
Beginning balance	**$ 126.3**	**$ 124.9**	**$ 124.9**
Foreign currency translation	(0.6)	1.4	1.1
Ending balance	**$ 125.7**	**$ 126.3**	**$ 126.0**

There were no impairment charges related to Goodwill in any of the periods presented.

The following table summarizes the activity in other intangibles included in Other assets and deferred charges on the Company's Financial Statements for the periods indicated:

	February 28, 2022	May 31, 2021	February 28, 2021
Beginning balance - Other intangibles subject to amortization	$ 8.4	$ 10.5	$ 10.5
Adjustments	—	(0.5)	(0.5)
Amortization expense	(1.5)	(2.2)	(1.7)
Foreign currency translation	(0.2)	0.6	0.5
Total other intangibles subject to amortization, net of accumulated amortization of $33.8, $32.3 and $31.8, respectively	$ 6.7	$ 8.4	$ 8.8
Total other intangibles not subject to amortization	$ **2.1**	$ **2.1**	$ **2.1**
Total other intangibles	**$ 8.8**	**$ 10.5**	**$ 10.9**

There were no additions to intangible assets within the nine months ended February 28, 2022 and February 28, 2021.

Intangible assets with indefinite lives consist principally of trademark and tradename rights. Intangible assets with definite lives consist principally of customer lists, intellectual property, tradenames and other agreements.

(Dollar amounts in millions, except per share data)

Intangible assets with definite lives are amortized over their estimated useful lives. The weighted-average remaining useful lives of all amortizable intangible assets is approximately 4.6 years.

There were no impairment charges related to Intangible assets in any of the periods presented.

9. INVESTMENTS

Investments are included in Other assets and deferred charges on the Condensed Consolidated Balance Sheets. The following table summarizes the Company's investments as of the dates indicated:

	February 28, 2022	May 31, 2021	February 28, 2021	Segment
Equity method investments	$ 34.0	$ 34.3	$ 33.8	International
Other equity investments	6.0	6.0	6.0	Children's Book Publishing & Distribution
Total Investments	**$ 40.0**	**$ 40.3**	**$ 39.8**	

The Company's 26.2% equity interest in a children's book publishing business located in the UK is accounted for using the equity method of accounting. Equity method income from this investment is reported in the *International* segment.

The Company has a 4.6% ownership interest in a financing and production company that makes film, television, and digital programming designed for the youth market. This equity investment does not have a readily determinable fair value and the Company has elected to apply the measurement alternative and report this investment at cost, less impairment on the Company's Condensed Consolidated Balance Sheets. There have been no impairments or adjustments to the carrying value of this investment.

Income from equity investments is reported in Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations and totaled $0.0 and $0.7 for the three months ended February 28, 2022 and February 28, 2021, respectively, and $1.6 and $6.1 for the nine months ended February 28, 2022 and February 28, 2021, respectively.

10. EMPLOYEE BENEFIT PLANS

The following table sets forth the components of net periodic benefit cost for the periods indicated under the Company's defined benefit pension plan of Scholastic Ltd., an indirect subsidiary of Scholastic Corporation located in the United Kingdom (the "UK Pension Plan"), and the postretirement benefits plan, consisting of certain healthcare and life insurance benefits provided by the Company to its eligible retired United States-based employees (the "US Postretirement Benefits"), for the periods indicated:

	UK Pension Plan Three months ended February 28,		US Postretirement Benefits Three months ended February 28,	
	2022	2021	2022	2021
Components of net periodic benefit cost:				
Interest cost	$ 0.2	$ 0.2	$ 0.0	$ 0.0
Expected return on assets	(0.3)	(0.2)	—	—
Amortization of prior service (credit) loss	0.0	0.0	(0.2)	(0.2)
Amortization of net actuarial (gain) loss	0.2	0.1	—	0.0
Total	**$ 0.1**	**$ 0.1**	**$ (0.2)**	**$ (0.2)**

	UK Pension Plan Nine months ended February 28,		US Postretirement Benefits Nine months ended February 28,	
	2022	2021	2022	2021
Components of net periodic benefit cost:				
Interest cost	$ 0.7	$ 0.5	$ 0.1	$ 0.2
Expected return on assets	(0.9)	(0.6)	—	—
Amortization of prior service (credit) loss	0.0	0.0	(0.6)	(0.4)
Amortization of net actuarial (gain) loss	0.6	0.4	—	0.0
Total	**$ 0.4**	**$ 0.3**	**$ (0.5)**	**$ (0.2)**

Actuarial gains and losses are amortized using a corridor approach. The gain or loss corridor is equal to 10% of the greater of the projected benefit obligation and the market-related value of assets. Gains and losses in excess of the corridor are amortized over the future working lifetime.

The Company's funding practice with respect to the UK Pension Plan is to contribute on an annual basis at least the minimum amounts required by applicable law. For the nine months ended February 28, 2022, the Company contributed $1.2 to the UK Pension Plan. The Company expects, based on actuarial calculations, to contribute cash of approximately $1.6 to the UK Pension Plan for the fiscal year ending May 31, 2022.

11. STOCK-BASED COMPENSATION

The following table summarizes stock-based compensation expense included in Selling, general and administrative expenses for the periods indicated:

	Three months ended February 28,		Nine months ended February 28,	
	2022	2021	2022	2021
Stock option expense	$ 0.6	$ 0.7	$ 3.1	$ 3.5
Restricted stock unit expense	0.9	0.7	2.5	1.4
Management stock purchase plan	0.0	0.0	0.3	0.0
Employee stock purchase plan	0.1	0.1	0.2	0.2
Total stock-based compensation expense	**$ 1.6**	**$ 1.5**	**$ 6.1**	**$ 5.1**

The following table sets forth Common Stock issued pursuant to stock-based compensation plans for the periods indicated:

	Three months ended February 28,		Nine months ended February 28,	
	2022	2021	2022	2021
Common Stock issued pursuant to stock-based compensation plans (in millions)	0.3	0.1	0.6	0.2

In September 2021, the Class A Stockholders approved the 2021 Stock Incentive Plan (the "2021 Plan") which provides for the issuance of certain equity awards, including non-qualified stock options, time-vested restricted stock units, performance-based restricted stock units, incentive stock options and other equity awards. There are 2,500,000 shares available for issuance pursuant to awards granted under the 2021 Plan. No further awards can be granted under the 2011 Stock Incentive Plan.

12. TREASURY STOCK

The Board has authorized the Company to repurchase Common Stock, from time to time as conditions allow, on the open market or through privately negotiated transactions.

(Dollar amounts in millions, except per share data)

The table below represents the Board authorizations at the dates indicated:

Authorizations		Amount
March 2018	$	50.0
March 2020		50.0
Total current Board authorizations at June 1, 2021	**$**	**100.0**
Less repurchases made under these authorizations	$	(52.3)
Remaining Board authorization at February 28, 2022	**$**	**47.7**

Remaining Board authorization at February 28, 2022 represents the amount remaining under the current $50.0 Board authorization for Common share repurchases announced on March 18, 2020, which is available for further repurchases, from time to time as conditions allow, on the open market or through privately negotiated transactions.

Repurchases of the Company's Common Stock were $15.4 and $19.6 during the three and nine months ended February 28, 2022, respectively, which included a privately negotiated transaction with a related party for an aggregate purchase price of $12.2. See Note 18, Related Party Transactions, for further details regarding this transaction. The Company's repurchase program may be suspended at any time without prior notice.

13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables summarize the activity in Accumulated other comprehensive income (loss), net of tax, by component, for the periods indicated:

	Three months ended February 28, 2022		
	Foreign currency translation adjustments	Retirement benefit plans	Total
Beginning balance at December 1, 2021	**$ (40.3)**	**$ (4.0)**	**$ (44.3)**
Other comprehensive income (loss) before reclassifications	1.6	—	1.6
Less amount reclassified from Accumulated other comprehensive income (loss):			
Amortization of net actuarial (gain) loss (net of tax of $0.0)	—	0.2	0.2
Amortization of prior service (credit) cost (net of tax of $0.0)	—	(0.2)	(0.2)
Other comprehensive income (loss)	1.6	0.0	1.6
Ending balance at February 28, 2022	**$ (38.7)**	**$ (4.0)**	**$ (42.7)**

	Three months ended February 28, 2021		
	Foreign currency translation adjustments	Retirement benefit plans	Total
Beginning balance at December 1, 2020	**$ (38.9)**	**$ (2.8)**	**$ (41.7)**
Other comprehensive income (loss) before reclassifications	6.3	—	6.3
Less amount reclassified from Accumulated other comprehensive income (loss):			
Amortization of gains and losses (net of tax of $0.0)	—	0.1	0.1
Amortization of prior service credit (net of tax of $0.1)	—	(0.1)	(0.1)
Other comprehensive income (loss)	6.3	0.0	6.3
Ending balance at February 28, 2021	**$ (32.6)**	**$ (2.8)**	**$ (35.4)**

(Dollar amounts in millions, except per share data)

	Nine months ended February 28, 2022		
	Foreign currency translation adjustments	Retirement benefit plans	Total
Beginning balance at June 1, 2021	**$ (30.1)**	**$ (4.6)**	**$ (34.7)**
Other comprehensive income (loss) before reclassifications (net of tax of $0.1)	(8.6)	0.5	(8.1)
Less amount reclassified from Accumulated other comprehensive income (loss):			
Amortization of net actuarial (gain) loss (net of tax of $0.0)	—	0.6	0.6
Amortization of prior service (credit) cost (net of tax of $0.1)	—	(0.5)	(0.5)
Other comprehensive income (loss)	(8.6)	0.6	(8.0)
Ending balance at February 28, 2022	**$ (38.7)**	**(4.0)**	**(42.7)**

	Nine months ended February 28, 2021		
	Foreign currency translation adjustments	Retirement benefit plans	Total
Beginning balance at June 1, 2020	**$ (50.0)**	**$ (8.3)**	**$ (58.3)**
Other comprehensive income (loss) before reclassifications (net of tax of $1.7)	17.4	5.3	22.7
Less amount reclassified from Accumulated other comprehensive income (loss):			
Amortization of gains and losses (net of tax of $0.0)	—	0.4	0.4
Amortization of prior service credit (net of tax of $0.2)	—	(0.2)	(0.2)
Other comprehensive income (loss)	17.4	5.5	22.9
Ending balance at February 28, 2021	**$ (32.6)**	**$ (2.8)**	**$ (35.4)**

The following table presents the impact on earnings of reclassifications out of Accumulated other comprehensive income (loss) for the periods indicated:

	Three months ended		Nine months ended		
	February 28, 2022	February 28, 2021	February 28, 2022	February 28, 2021	Condensed Consolidated Statements of Operations line item
Employee benefit plans:					
Amortization of net actuarial (gain) loss	$ 0.2	$ 0.1	$ 0.6	$ 0.4	Other components of net periodic benefit (cost)
Amortization of prior service (credit) loss	(0.2)	(0.2)	(0.6)	(0.4)	Other components of net periodic benefit (cost)
Less: Tax effect	0.0	0.1	0.1	0.2	Provision (benefit) for income taxes
Total cost, net of tax	**$ 0.0**	**$ 0.0**	**$ 0.1**	**$ 0.2**	

14. FAIR VALUE MEASUREMENTS

The Company determines the appropriate level in the fair value hierarchy for each fair value measurement of assets and liabilities carried at fair value on a recurring basis in the Company's financial statements. The fair value hierarchy prioritizes the inputs, which refer to assumptions that market participants would use in pricing an asset or liability, based upon the highest and best use, into three levels as follows:

- **Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- **Level 2** Observable inputs other than quoted prices included in Level 1, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs derived principally from or corroborated by observable market data.

- **Level 3** Unobservable inputs in which there is little or no market data available, which are significant to the fair value measurement and require the Company to develop its own assumptions.

The Company’s financial assets and liabilities measured at fair value consisted of cash and cash equivalents, debt and foreign currency forward contracts. Cash and cash equivalents are comprised of bank deposits and short-term investments, such as money market funds, the fair value of which is based on quoted market prices, a Level 1 fair value measure. The Company employs Level 2 fair value measurements for the disclosure of the fair value of its various lines of credit and long term debt. The fair value of the Company's debt approximates the carrying value for all periods presented. The fair values of foreign currency forward contracts, used by the Company to manage the impact of foreign exchange rate changes, are based on quotations from financial institutions, a Level 2 fair value measure.

Non-financial assets for which the Company employs fair value measures on a non-recurring basis include:
- Long-lived assets, including held for sale
- Operating lease right-of-use (ROU) assets
- Investments
- Assets acquired in a business combination
- Impairment assessment of goodwill and intangible assets

Level 2 and Level 3 inputs are employed by the Company in the fair value measurement of these assets. For the fair value measurements employed by the Company for certain property, plant and equipment, investments and prepublication assets, the Company assessed future expected cash flows attributable to these assets. See Note 9, Investments, for a more complete description of the fair value measurements employed. Operating lease ROU assets were recorded at fair value in connection with a prior period impairment and fair value was determined using the discounted cash flow method. See Note 4, Asset Write Down, for a more complete description of the impairment recognized in the third quarter of fiscal 2021.

15. INCOME TAXES AND OTHER TAXES

Tax Legislation Updates

In response to the COVID-19 pandemic, many governments have enacted or are contemplating additional measures to provide aid and economic stimulus. These measures may include deferring the due dates of tax payments or other changes to their income and non-income-based tax laws as well as providing direct government assistance through grants and forgivable loans.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company filed its Federal income tax return and benefited from the provisions in the CARES Act to carry back net operating losses generated in the U.S. to previous periods which were taxed at the higher 35% federal corporate tax rate. The Company also took advantage of the provisions related to the Employee Retention Credit, which was created by the CARES Act to encourage entities to keep employees on their payroll despite experiencing economic hardship due to the COVID-19 pandemic. The Company has deferred employer-side social security payments resulting in a future liability. As of February 28, 2022, the Company has a current liability of $3.8. In fiscal 2021, the Company applied for employee retention credits in the U.S. and the related receivable was $11.9 as of February 28, 2022. During the first quarter of fiscal 2022, the Company received a federal tax refund of $63.1 primarily related to the carry back of net operating losses generated in the U.S.

Income Taxes

In calculating the provision for income taxes on an interim basis, the Company uses an estimate of the annual effective tax rate based upon currently known facts and circumstances and applies that rate to its year-to-date earnings or losses. The Company’s effective tax rate is based on expected income and statutory tax rates and takes into consideration permanent differences between financial statement and tax return income applicable to the Company in the various jurisdictions in which the Company operates. The effect of discrete items, such as changes in estimates, changes in rates or tax status, and unusual or infrequently occurring events, is recognized in the interim period in which the discrete item occurs. The accounting estimates used to compute the provision for income taxes may change as new events occur, additional information is obtained or as the result of new judicial interpretations or regulatory or tax law changes.

(Dollar amounts in millions, except per share data)

The Company's interim effective tax rate, inclusive of discrete items, for the three and nine month periods ended February 28, 2022 was 23.7% and 19.7%, respectively, compared to 36.4% and 29.0%, respectively, for the prior fiscal year periods. The decrease in the interim effective tax rate for the nine months ended February 28, 2022 is primarily due to the release of an uncertain tax position in the current fiscal year related to an effective settlement recognized as part of an ongoing IRS audit.

The Company, including its domestic subsidiaries, files a consolidated U.S. income tax return, and also files tax returns in various states and other local jurisdictions. Also, certain subsidiaries of the Company file income tax returns in foreign jurisdictions. The Company is routinely audited by various tax authorities. The IRS is currently examining the US income tax returns for the fiscal 2015 through fiscal 2020 tax years. As of February 28, 2022, there is approximately $20.0 in receivables from the IRS related to the years under audit included in Income tax receivable in the Company’s Condensed Consolidated Balance Sheet.

Non-income Taxes

The Company is subject to tax examinations for sales-based taxes. A number of these examinations are ongoing and, in certain cases, have resulted in assessments from taxing authorities. The Company assesses sales tax contingencies for each jurisdiction in which it operates, considering all relevant facts including statutes, regulations, case law and experience. Where a sales tax liability with respect to a jurisdiction is probable and can be reliably estimated for such jurisdiction, the Company has made accruals for these matters which are reflected in the Company’s Condensed Consolidated Financial Statements. These amounts are included in the Financial Statements in Selling, general and administrative expenses. Future developments relating to the foregoing could result in adjustments being made to these accruals.

16. DERIVATIVES AND HEDGING

The Company enters into foreign currency derivative contracts to economically hedge the exposure to foreign currency fluctuations associated with the forecasted purchase of inventory, the foreign exchange risk associated with certain receivables denominated in foreign currencies and certain future commitments for foreign expenditures. These derivative contracts are economic hedges and are not designated as cash flow hedges.

The Company marks-to-market these instruments and records the changes in the fair value of these items in Selling, general and administrative expenses and recognizes the unrealized gain or loss in Other current assets or Other current liabilities. The notional values of the contracts as of February 28, 2022 and February 28, 2021 were $21.9 and $26.5, respectively. A net unrealized gain of $0.3 and a net unrealized loss of $1.6 were recognized for the nine months ended February 28, 2022 and February 28, 2021, respectively.

17. OTHER ACCRUED EXPENSES

Other accrued expenses consisted of the following as of the dates indicated:

	February 28, 2022	May 31, 2021	February 28, 2021
Accrued payroll, payroll taxes and benefits	$ 35.3	$ 32.4	$ 37.5
Accrued bonus and commissions	22.5	23.0	13.3
Returns liability	48.8	45.2	51.6
Accrued other taxes	30.2	31.4	21.4
Accrued advertising and promotions	15.1	12.6	13.1
Other accrued expenses	32.9	57.4	40.7
Total accrued expenses	**$ 184.8**	**$ 202.0**	**$ 177.6**

18. RELATED PARTY TRANSACTIONS

On January 12, 2022, the Company entered into a share repurchase agreement to purchase shares of its common stock from the Estate of M. Richard Robinson, Jr. in a privately negotiated transaction. Pursuant to the repurchase agreement, the Company purchased 300,000 shares of common stock on January 19, 2022 at a price of $40.65 per share, representing an aggregate purchase price of $12.2. The price per share paid represented a 4.2% discount to the closing price of the stock, $42.43, on the date of execution of the repurchase agreement. The repurchase was made pursuant to the Company's current share repurchase program as previously approved by the Board. The aforementioned transaction was approved by the Board upon the recommendation of the Audit Committee.

19. SUBSEQUENT EVENTS

The Board declared a quarterly cash dividend of $0.15 per share on the Company's Class A and Common Stock for the fourth quarter of fiscal 2022. The dividend is payable on June 15, 2022 to shareholders of record as of the close of business on April 29, 2022.

Overview and Outlook

Revenues for the third quarter ended February 28, 2022 were $344.5 million, compared to $277.5 million in the prior fiscal year quarter, an increase of $67.0 million. The Company reported net loss per diluted share of Class A and Common Stock of $0.44 in the third quarter of fiscal 2022, compared to $0.41 in the prior fiscal year quarter.

With schools back in session, the book fairs channel drove a majority of the revenue increase with a higher number of in-person book fairs and higher revenue per fair. The Company's education offerings also drove higher revenues primarily related to core instructional products and sales from *Scholastic Magazines*+™, the Company's newly branded classroom magazines business with new content in both print and digital, including videos and activities. In addition, *Education Solutions* revenues increased for the *New Worlds Reading Initiative*, a five-year agreement with University of Florida's Lastinger Center for Learning to provide books to Florida students (kindergarten through 5th grade) who are reading below grade level. The Company began fulfilling orders in the third fiscal quarter for the more than 100,000 students enrolled in the program. Higher trade channel revenues were driven by core backlist titles as demand for the Company's best-selling series continues. Internationally, Canada experienced higher revenues in all channels, while the Asia markets continued to be negatively impacted by COVID-related shutdowns and recently adopted restrictive regulations in China. Operating loss improved $4.7 million over the prior fiscal year quarter as a result of the higher sales volume as the Company recovers from the pandemic. The Company experienced and will continue to experience higher inflationary pressures in printing, paper, transportation and labor costs, which partially offset the increases in revenues.

In the *Children's Book Publishing* and Distribution segment, the Company expects the number of in-person book fairs to continue to trend at 70% of pre-pandemic levels in the fourth fiscal quarter with improved revenue per fair over the same period. In the book clubs channel, having cleared the backlogged orders, the Company expects to see continued strong customer re-engagement. The trade channel is anticipating the benefit of new fourth fiscal quarter releases, such as Cat Kid Comic Club® #3: On Purpose by Dav Pilkey, and Colin Kaepernick's I Color Myself Different. In addition, the Company's media group has a robust pipeline that should favorably impact future fiscal year periods commencing in fiscal 2023. In the *Education Solutions* segment, the Company anticipates a strong fourth quarter driven by its comprehensive education offerings, which includes both print and digital content. Revenues related to summer reading initiatives are also expected to be robust as educators continue to seek materials to boost student reading levels. In addition, revenues related to the *New Worlds Reading Initiative* will be recognized in the fourth quarter as additional shipments are made to enrolled students, pursuant to which a significant number of books are also expected to be shipped in the summer months of June and July during the first quarter of fiscal 2023 after marketing efforts ramp up toward the end of the school year. Scholastic Magazines+ has launched pre-orders for fiscal 2023 for the highly-anticipated Storyworks® 1, which creates a full line of Storyworks ELA titles for advanced kindergarten and grades 1-6. Internationally, the Company is optimistic that fewer COVID related restrictions will benefit the major markets in Canada, UK, and Australia and New Zealand, but anticipates that COVID related issues and the recently adopted restrictive regulations in China will result in continued softness in Asia.

Cost pressures for paper, printing, and freight will continue in the fourth quarter as current period inventory, with an associated higher cost of product, is sold. Similarly, the Company expects higher labor costs due to continuing inflationary pressures. Additionally, rising fuel costs will impact the business, primarily related to the delivery of book fairs where the Company manages its own distribution fleet. The Company is taking all available actions to mitigate higher costs and identify further opportunities for incremental cost savings, including process improvements and automation, proactive resource allocation, book fair vehicle route optimization, vendor diversification, product rationalization and pricing, as well as the benefits of cross divisional collaborations.

Results of Operations

Consolidated

Revenues for the quarter ended February 28, 2022 increased by $67.0 million to $344.5 million, compared to $277.5 million in the prior fiscal year quarter. The *Children's Book Publishing and Distribution* segment revenues increased by $58.1 million, primarily driven by higher book fairs channel revenues resulting from increased fair count and higher revenue per fair as schools have reopened and resumed in-person learning. In the *Education Solutions* segment, revenues increased by $10.9 million, primarily driven by revenues from the newly launched *New Worlds Reading Initiative* with University of Florida's Lastinger Center for Learning, coupled with higher sales of instructional products and programs, primarily *Scholastic Bookroom,* and increased circulation revenue from the Magazines+ business. In local currency, the *International* segment revenues decreased by $0.4 million, primarily driven by lower sales in Asia as the local markets continued to be impacted by COVID-related shutdowns and the restrictive regulations in China, partially offset by increased revenues in Canada across all channels. *International* segment revenues were impacted by unfavorable foreign exchange of $1.6 million in the quarter ended February 28, 2022.

Revenues for the nine months ended February 28, 2022 increased by $229.6 million to $1,128.5 million, compared to $898.9 million in the prior fiscal year period. The *Children's Book Publishing and Distribution* segment revenues increased by $190.1 million primarily driven by higher book fairs channel revenues, particularly in the second and third quarters, resulting from increased fair count and higher revenue per fair as schools reopened and resumed in-person learning. Additionally, trade channel revenues were higher, primarily driven by increased sales of backlist titles from best-selling series, including *Harry Potter*® and Dog Man®, and new releases of frontlist titles including J.K. Rowling's *The Christmas Pig* and Dav Pilkey's *Cat Kid Comic Club®: Perspectives.* In the *Education Solutions* segment, revenues increased by $49.4 million primarily driven by higher sales of instructional products and programs, including the early childhood curriculum program *PreK On My Way*™ and *Scholastic Bookroom,* as well as increased circulation revenue from the Magazines+ business. In addition, revenues increased from the Company's new *Rising Voices Library*® offering, which meets the increasing demand for culturally responsive content and instruction, and the newly launched *New Worlds Reading Initiative* with University of Florida's Lastinger Center for Learning. In local currency, the *International* segment revenues decreased by $14.7 million primarily driven by lower sales in Asia as the local markets continued to be impacted by COVID-related shutdowns and the restrictive regulations in China. Revenues also decreased in Australia and New Zealand in the school-based channels due to additional lockdowns imposed by the COVID variant, partially offset by higher sales in Canada across all channels. *International* segment revenues benefited from favorable foreign exchange of $4.8 million in the nine months ended February 28, 2022.

Components of Cost of goods sold for the three and nine months ended February 28, 2022 and February 28, 2021 are as follows:

	Three months ended				Nine months ended			
	February 28, 2022		February 28, 2021		February 28, 2022		February 28, 2021	
($ amounts in millions)	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**% of Revenue**
Product, service and production costs	$ 93.8	27.2 %	$ 71.9	25.9 %	$ 306.6	27.2 %	$ 237.5	26.4 %
Royalty costs	30.0	8.7 %	27.9	10.1 %	102.8	9.1 %	91.6	10.2 %
Prepublication amortization	6.8	2.0 %	6.6	2.4 %	20.6	1.8 %	19.7	2.2 %
Postage, freight, shipping, fulfillment and other	39.0	11.3 %	29.5	10.6 %	110.9	9.8 %	91.8	10.2 %
Total	**$ 169.6**	**49.2 %**	**$ 135.9**	**49.0 %**	**$ 540.9**	**47.9 %**	**$ 440.6**	**49.0 %**

Cost of goods sold for the quarter ended February 28, 2022 was $169.6 million, or 49.2% of revenues, compared to $135.9 million, or 49.0% of revenues, in the prior fiscal year quarter. Cost of goods sold for the nine months ended February 28, 2022 was $540.9 million, or 47.9% of revenues, compared to $440.6 million, or 49.0% of revenues, in the prior fiscal year period. Cost of goods sold was impacted by higher costs due to shortages in labor and transportation and supply chain issues impacting paper and printing costs. The Company expects these costs to continue to be negatively impacted during the balance of fiscal 2022, and Cost of goods sold will reflect the higher costs as current period inventory is sold using the first-in, first-out method. The increased costs were more than offset by lower royalty costs due to the substantial increase in book fairs channel revenues which have a higher mix of non-royalty bearing titles.

Selling, general and administrative expenses for the quarter ended February 28, 2022 increased to $180.8 million, compared to $140.2 million in the prior fiscal year quarter. The $40.6 million increase was primarily attributable to higher employee-related costs as a result of higher headcount in the book fairs warehouses to meet the increased demand, coupled with higher labor costs across the Company. In addition, the Company incurred higher warehouse-related costs, as certain reopened book fair distribution facilities were temporarily closed in the prior fiscal year quarter, and recognized lower subsidies from COVID-related governmental retention programs in the quarter ended February 28, 2022, which decreased by $7.0 million as compared to the prior fiscal year quarter. The Company also incurred higher severance expense and related charges from its restructuring programs, which increased by $1.7 million to $2.5 million compared to $0.8 million in the prior fiscal year quarter and recognized lower equity investment income, partially offset by lower branch consolidation costs in the quarter ended February 28, 2022, which decreased by $0.3 million.

Selling, general and administrative expenses for the nine months ended February 28, 2022 increased to $512.7 million, compared to $433.8 million in the prior fiscal year period. The $78.9 million increase was primarily attributable to higher employee related costs as a result of higher headcount in the book fairs warehouses to meet the increased demand, coupled with higher labor costs across the Company due in part to the employee furlough and reduced work week programs in the first fiscal quarter of the prior fiscal year, which did not reoccur in the current fiscal year. In addition, the Company incurred higher warehouse-related costs, as certain book fair distribution facilities were temporarily closed in the prior fiscal year period, and recognized lower subsidies from COVID-related governmental retention programs in the current period, which decreased by $15.4 million to $1.4 million as compared to $16.8 million in the prior fiscal year period, as well as lower equity investment income. Partially offsetting the foregoing, the Company received $6.6 million of insurance recoveries in the period ended February 28, 2022 related to an intellectual property legal settlement accrued in fiscal 2021 and recognized lower severance expense, which included charges of $5.7 million and $18.0 million for the nine months ended February 28, 2022 and February 28, 2021, respectively, related to cost-reduction and restructuring programs, in addition to lower branch consolidation costs of $0.5 million in the nine months ended February 28, 2022.

Depreciation and amortization expenses in the three and nine months ended February 28, 2022 were $13.6 million and $43.0 million, respectively, compared to $14.7 million and $46.0 million, respectively, in the prior fiscal year period. The decrease in depreciation and amortization expenses in the three and nine month periods was primarily attributable to a shift towards spending in cloud computing arrangements in which the amortization expense is included in Selling, general and administrative expenses. Capital spending is lower in the current fiscal year as the Company continues to focus on strategic investments in key growth areas of the business and in technology, both internal and customer-facing, to allow it to operate with greater efficiency.

Asset impairments and write downs in the three and nine months ended February 28, 2021 were $10.9 million. In the fiscal quarter ended February 28, 2021, the Company committed to a plan to cease use of its leased office space in New York City and consolidate into the company-owned New York headquarters and permanently close 12 of its 54 U.S. book fairs warehouses as part of a branch consolidation project. As a result, the Company recorded an impairment of the ROU assets associated with operating leases in the amount of $9.4 million and an impairment of $1.5 million of other long-lived assets, primarily leasehold improvements, in the fiscal 2021 periods.

Net interest expense in the quarter ended February 28, 2022 was $0.4 million compared to $1.7 million in the prior fiscal year quarter. Net interest expense in the nine months ended February 28, 2022 was $2.2 million compared to $4.1 million in the prior fiscal year period. The decreases in net interest expense were due to the lower average debt borrowings as compared to the prior fiscal year periods. The Company repaid the $175.0 million of borrowings during the first and second quarters of fiscal 2022, resulting in no outstanding borrowings under the U.S. credit agreement as of February 28, 2022.

Gain (loss) on sale of assets and other in the quarter ended February 28, 2021 was $3.8 million, as the Company sold the UK distribution center located in Southam and recognized a gain on sale.

Gain (loss) on sale of assets and other in the nine months ended February 28, 2022 was $6.2 million compared to $10.4 million in the prior fiscal year period. The Company sold the Lake Mary facility in the period ended February 28, 2022, as part of an initiative to rightsize its real estate footprint to reduce occupancy costs, which resulted in the gain on sale. In the period ended February 28, 2021, the Company sold the facility located in Danbury, Connecticut and the UK distribution center located in Southam, recognizing a gain on sale of $6.6 million and $3.8 million, respectively.

The Company's effective tax rate for the quarter ended February 28, 2022 was 23.7%, compared to 36.4% in the prior fiscal year quarter. The Company's effective tax rate for the nine months ended February 28, 2022 was 19.7% compared to 29.0% in the prior fiscal year period. The decrease in the interim effective tax rate for the nine months ended February 28, 2022 is primarily due to the release of an uncertain tax position in the current fiscal year related to an effective settlement recognized as part of an ongoing IRS audit.

Net loss attributable to Scholastic Corporation for the quarter ended February 28, 2022 increased by $1.4 million to $15.3 million, compared to $13.9 million in the prior fiscal year quarter. Loss per basic and diluted share of Class A and Common Stock was $0.44 and $0.44, respectively, for the fiscal quarter ended February 28, 2022, compared to loss per basic and diluted share of Class A and Common Stock of $0.41 and $0.41, respectively, in the prior fiscal year quarter.

Net income attributable to Scholastic Corporation for the nine months ended February 28, 2022 increased by $47.4 million to $28.8 million, compared to a net loss of $18.6 million in the prior fiscal year period. Earnings per basic and diluted share of Class A and Common Stock was $0.83 and $0.80, respectively, for the nine months ended February 28, 2022, compared to loss per basic and diluted share of Class A and Common Stock of $0.54 and $0.54, respectively, in the prior fiscal year period.

Net income attributable to noncontrolling interest for the quarter ended February 28, 2022 was $0.2 million compared to Net loss attributable to noncontrolling interest of $0.1 million in the prior fiscal year quarter. Net income attributable to noncontrolling interest for the nine months ended February 28, 2022 was $0.1 million compared to less than $0.1 million in the prior fiscal year period.

Children's Book Publishing and Distribution

($ amounts in millions)	Three months ended February 28, 2022	2021	$ Change	% Change	Nine months ended February 28, 2022	2021	$ Change	% Change
Revenues	$ 201.0	$ 142.9	$ 58.1	40.7 %	$ 669.3	$ 479.2	$ 190.1	39.7 %
Cost of goods sold	102.5	78.6	23.9	30.4 %	325.4	256.3	69.1	27.0 %
Other operating expenses (1)	93.5	69.5	24.0	34.5 %	275.4	221.7	53.7	24.2 %
Asset impairments	—	2.4	(2.4)	NM	—	2.4	(2.4)	NM
Operating income (loss)	$ 5.0	$ (7.6)	$ 12.6	165.8 %	$ 68.5	$ (1.2)	$ 69.7	NM
Operating margin	**2.5 %**	**— %**			**10.2 %**	**— %**		

(1) Other operating expenses include selling, general and administrative expenses, bad debt expenses and depreciation and amortization.
NM Not meaningful

Revenues for the quarter ended February 28, 2022 increased by $58.1 million to $201.0 million, compared to $142.9 million in the prior fiscal year quarter. The increase in segment revenues was primarily driven by higher book fairs channel revenues of $49.0 million resulting from increased fair count and higher revenue per fair as schools reopened and resumed in-person learning. Book clubs channel revenues increased $5.4 million as a result of the Company's focus on clearing the backlog that arose during the second quarter. In the trade channel, revenues increased $3.7 million primarily due to increased sales of backlist titles and box sets from best-selling series, coupled with new releases from the Company's popular series, including *Cat Kid Comic Club®, Wings of Fire™*, *The Baby-sitters Club® Graphix™*, *Baby-sitters Little Sisters® Graphix™*, and *Five Nights at Freddy's™*.

Revenues for the nine months ended February 28, 2022 increased by $190.1 million to $669.3 million, compared to $479.2 million in the prior fiscal year period. The increase in segment revenues was primarily driven by higher book fairs channel revenues of $180.3 million resulting from increased fair count and higher revenue per fair as schools reopened and resumed in-person learning, particularly in the second and third quarters. Trade channel revenues increased $18.5 million primarily due to increased sales of backlist titles and box sets from best-selling series, including *Dog Man* and *Harry Potter*. New releases in the period ended February 28, 2022 included J.K. Rowling's *The Christmas Pig,* Dav Pilkey's *Cat Kid Comic Club®: Perspectives*, and *Tui T. Sutherland's Wings of Fire™: The Brightest Night (Graphic Novel #5)*, as well as new releases from the Company's best-selling series, including *The Baby-sitters Club® Graphix™*, *Baby-sitters Little Sisters® Graphix™*, *Five Nights at Freddy's™*, *The Bad Guys™* and *I Survived.* In addition, sales increased for specialty products within the Company's Klutz division, as well as the *Make Believe Ideas™* business, which benefited from the launch of the plush product line, *Sensory Snuggables™*, and the improvement of the U.S. school-based channels in the second and third quarters. The revenue increase was partially offset by lower book clubs channel revenues of $8.7 million due to industry-wide labor shortages in the second quarter and a systems issue in the Company's fulfillment operations.

Cost of goods sold for the quarter ended February 28, 2022 was $102.5 million, or 51.0% of revenues, compared to $78.6 million, or 55.0% of revenues, in the prior fiscal year quarter. Cost of goods sold for the nine months ended February 28, 2022 was $325.4 million, or 48.6% of revenues, compared to $256.3 million, or 53.5% of revenues, in the prior fiscal year period. The decrease in Cost of goods sold as a percentage of revenue for the three and nine months ended February 28, 2022 was primarily driven by lower royalty costs due to the increased book fairs channel revenues which have a higher mix of non-royalty bearing titles, partially offset by the increases in paper, printing and freight costs.

Other operating expenses for the quarter ended February 28, 2022 increased to $93.5 million, compared to $69.5 million in the prior fiscal year quarter. The $24.0 million increase was primarily attributable to higher employee-related costs, largely in the book fairs channel, as the Company increased headcount at the warehouses to meet the increased demand, coupled with higher costs due to labor shortages. In addition, the Company incurred higher warehouse-related costs, as certain book fair distribution facilities were temporarily closed in the prior fiscal year quarter, and recognized lower subsidies from COVID-related governmental retention programs in the quarter ended February 28, 2022.

Other operating expenses for the nine months ended February 28, 2022 increased to $275.4 million, compared to $221.7 million in the prior fiscal year period. The $53.7 million increase was primarily attributable to higher employee-related costs as the prior fiscal year period benefited from the employee furlough and reduced work week programs in the first quarter of the period, coupled with higher labor costs due to increased headcount at the warehouses to meet the increased demand and higher costs due to labor shortages. In addition, the Company incurred higher warehouse-related costs, as certain book fair distribution facilities were temporarily closed in the prior fiscal year period, and recognized lower subsidies from COVID-related governmental retention programs in the period ended February 28, 2022.

Asset impairments for the three and nine months ended February 28, 2021 were $2.4 million. In the prior fiscal year quarter, the Company committed to a plan to permanently close 12 of its 54 book fairs warehouses in the U.S. as part of the branch consolidation project, as a result of which the Company recognized an impairment expense of $2.4 million in the third quarter of fiscal 2021, primarily related to the ROU assets associated with these warehouse operating leases.

Segment operating income for the quarter ended February 28, 2022 was $5.0 million, compared to operating loss of $7.6 million in the prior fiscal year quarter. The $12.6 million improvement was primarily driven by the increased revenues in the book fairs channel as schools reopened, partially offset by increased costs related to labor, freight, paper and printing.

Segment operating income for the nine months ended February 28, 2022 was $68.5 million, compared to operating loss of $1.2 million in the prior fiscal year period. The $69.7 million improvement was primarily driven by the increased revenues in the book fairs channel as schools have reopened, coupled with increased trade channel revenues. The prior year's cost saving initiatives were partially offset by increased costs related to labor, freight, paper and printing, which the Company expects to continue to negatively impact the business.

Education Solutions

	Three months ended February 28,				Nine months ended February 28,			
($ amounts in millions)	**2022**	**2021**	**$ Change**	**% Change**	**2022**	**2021**	**$ Change**	**% Change**
Revenues	$ 77.2	$ 66.3	$ 10.9	16.4 %	$ 236.8	$ 187.4	$ 49.4	26.4 %
Cost of goods sold	26.1	21.0	5.1	24.3 %	86.4	65.3	21.1	32.3 %
Other operating expenses [(1)]	38.0	35.6	2.4	6.7 %	114.4	104.5	9.9	9.5 %
Operating income (loss)	$ 13.1	$ 9.7	$ 3.4	35.1 %	$ 36.0	$ 17.6	$ 18.4	104.5 %
Operating margin	**17.0 %**	**14.6 %**			**15.2 %**	**9.4 %**		

(1) Other operating expenses include selling, general and administrative expenses, bad debt expenses and depreciation and amortization.

Revenues for the quarter ended February 28, 2022 increased to $77.2 million, compared to $66.3 million in the prior fiscal year quarter, resulting in an increase of $10.9 million. The increase in segment revenues was primarily driven by revenues from the newly launched *New Worlds Reading Initiative* with University of Florida’s Lastinger Center for Learning of $5.7 million. In addition, increased revenues were driven by higher sales of instructional products and programs, primarily *Scholastic Bookroom,* and professional learning services, coupled with increased circulation revenue from the Magazines+ business. The revenue increase was partially offset by lower revenues from the Company's teaching resources business, which benefited in the prior fiscal year quarter as parents used these products to supplement remote and hybrid learning resulting from COVID-19.

Revenues for the nine months ended February 28, 2022 increased to $236.8 million, compared to $187.4 million in the prior fiscal year period, resulting in an increase of $49.4 million. The increase in segment revenues was primarily driven by higher sales of instructional products and programs, including the recently launched early childhood curriculum program *PreK On My Way*, *Scholastic Bookroom*, the Company's summer learning product offerings, and *Scholastic Literacy*. Increased revenues were also driven by the Company's new *Rising Voices Library* offering, which meets the increasing demand for culturally responsive content and instruction, and the newly launched *New Worlds Reading Initiative* with University of Florida's Lastinger Center for Learning. In addition, increased circulation revenue from the Magazines+ business and increased sales of professional learning services and the Company's digital products, primarily *Scholastic Literacy Pro*® and *Scholastic F.I.R.S.T.*®, contributed to the increase in segment revenues. The revenue increase was partially offset by lower revenues from the Company's teaching resources business, which benefited in the prior fiscal year period as parents used these products to supplement remote and hybrid learning resulting from COVID-19, and lower revenues from the custom publishing business which was phased out in the prior fiscal year.

Cost of goods sold for the quarter ended February 28, 2022 was $26.1 million, or 33.8% of revenues, compared to $21.0 million, or 31.7% of revenues, in the prior fiscal year quarter. The increase in Cost of goods sold as a percentage of revenues in the third quarter was primarily attributable to the higher product cost associated with *Scholastic Bookroom* products and delivery of professional learning services, which have increased sales in the current quarter, coupled with increased paper, printing and freight costs.

Cost of goods sold for the nine months ended February 28, 2022 was $86.4 million, or 36.5% of revenues, compared to $65.3 million, or 34.8% of revenues, in the prior fiscal year period. The increase in Cost of goods sold as a percentage of revenues in the period was primarily attributable to the higher product cost associated with *Scholastic Bookroom* products and delivery of professional learning services, which have increased sales in the period, coupled with increased paper, printing and freight costs. In addition, higher royalty costs associated with *Scholastic Literacy Pro* digital products and the Company's summer learning product offerings contributed to the increase, partially offset by the benefit from higher revenue per unit shipped.

Other operating expenses for the quarter ended February 28, 2022 were $38.0 million, compared to $35.6 million in the prior fiscal year quarter. The increase in Other operating expenses was primarily related to higher employee-related costs due to inflationary pressures on labor costs.

Other operating expenses for the nine months ended February 28, 2022 increased to $114.4 million, compared to $104.5 million in the prior fiscal year period. The increase in Other operating expenses was primarily related to higher employee-related costs as the prior fiscal year period benefited from employee furlough and reduced work week programs in the first quarter of that period that did not reoccur in the period ended February 28, 2022, in addition to inflationary pressures on labor costs.

Segment operating income for the quarter ended February 28, 2022 was $13.1 million, compared to $9.7 million in the prior fiscal year quarter. The $3.4 million improvement was primarily driven by increased revenues from the newly launched *New Worlds Reading Initiative* in Florida, coupled with higher sales of instructional products and programs and professional learning services, as well as increased circulation revenue from the Magazines+ business. The revenue increase was partially offset by increased costs related to labor, freight, paper and printing, which the Company expects to continue to impact the business.

Segment operating income for the nine months ended February 28, 2022 was $36.0 million, compared to $17.6 million in the prior fiscal year period. The $18.4 million improvement was primarily driven by higher revenues as a result of increased sales of instructional products and programs, professional learning services and digital products, as well as higher circulation revenue from the Magazines+ business. In addition, increased revenues were driven by the Company's new *Rising Voices Library* offering and the newly launched *New Worlds Reading Initiative* in Florida. The revenue increase was partially offset by increased costs related to labor, freight, paper and printing, which the Company expects to continue to impact the business.

International

	Three months ended February 28,				Nine months ended February 28,			
($ amounts in millions)	**2022**	**2021**	**$ Change**	**% Change**	**2022**	**2021**	**$ Change**	**% Change**
Revenues	$ 66.3	$ 68.3	$ (2.0)	(2.9)%	$ 222.4	$ 232.3	$ (9.9)	(4.3)%
Cost of goods sold	38.3	38.0	0.3	0.8 %	125.4	123.6	1.8	1.5 %
Other operating expenses (1)	33.0	31.3	1.7	5.4 %	95.0	87.0	8.0	9.2 %
Operating income (loss)	$ (5.0)	$ (1.0)	$ (4.0)	NM	$ 2.0	$ 21.7	$ (19.7)	(90.8)%
Operating margin	**— %**	**— %**			**0.9 %**	**9.3 %**		

(1) Other operating expenses include selling, general and administrative expenses, bad debt expenses, severance and depreciation and amortization.

Revenues for the quarter ended February 28, 2022 decreased to $66.3 million, compared to $68.3 million in the prior fiscal year quarter. Local currency revenues across the Company's foreign operations decreased by $0.4 million, coupled with an unfavorable foreign exchange impact of $1.6 million. The decrease in segment revenues was primarily driven by lower local currency revenues in Asia of $3.7 million as the local markets continued to be impacted by COVID related shutdowns and recently adopted restrictive regulations in China, resulting in lower direct-to-home sales as well as lower trade and school channel sales. In addition, export channel revenues decreased by $0.4 million as compared to the prior fiscal year quarter. The decrease in segment revenues was partially offset by higher revenues in Canada, the UK and Australia and New Zealand. In Canada, local currency revenues increased $3.0 million driven by increased sales across all channels as it continues to recover from the pandemic. In the UK, local currency revenues increased by $0.4 million primarily driven by the pandemic recovery in the book fairs channel. Australia and New Zealand local currency revenues increased by $0.3 million primarily in the Australian book fairs channel as additional lockdowns imposed by the COVID variant began to lift.

Revenues for the nine months ended February 28, 2022 decreased to $222.4 million, compared to $232.3 million in the prior fiscal year period. Local currency revenues across the Company's foreign operations decreased by $14.7 million, partially offset by a favorable foreign exchange impact of $4.8 million. In Asia, local currency revenues decreased $14.2 million as the local markets continued to be impacted by COVID related shutdowns and the restrictive regulations in China, resulting in lower direct-to-home sales as well as lower trade and school channel sales. Australia and New Zealand local currency revenues decreased $8.9 million across all channels, due to additional lockdowns imposed by the COVID variant in the current fiscal year which began to be lifted during the third quarter. In the UK, local currency revenues decreased by $0.9 million primarily due to lower trade and book clubs channel sales and increased book fair incentive program credits as issuances outpaced redemptions, which more than offset the increased sales in the book fairs channel resulting from the increased demand as schools reopened. In addition, export channel revenues decreased $1.2 million as compared to the prior fiscal year period. The decrease in segment revenues was partially offset by higher local currency revenues in Canada of $10.5 million driven by increased sales across all channels, particularly in the book fairs and book clubs channels as schools reopened.

Cost of goods sold for the quarter ended February 28, 2022 was $38.3 million, or 57.8% of revenues, compared to $38.0 million, or 55.6% of revenues, in the prior fiscal year quarter. Cost of goods sold for the nine months ended February 28, 2022 was $125.4 million, or 56.4% of revenues, compared to $123.6 million, or 53.2% of revenue, in the prior fiscal year period. The increase in Cost of goods sold as a percentage of revenue in the three and nine months ended February 28, 2022 was driven by higher fulfillment costs, primarily in Australia, New Zealand and the UK, coupled with higher freight costs across all locations.

Other operating expenses for the quarter ended February 28, 2022 were $33.0 million, compared to $31.3 million in the prior fiscal year quarter. Other operating expenses increased $1.7 million primarily driven by lower government subsidies related to COVID-related governmental retention programs in Canada, the UK, Australia and New Zealand, which decreased by $2.4 million as compared to the prior fiscal year quarter, as well as lower equity investment income. In addition, the UK recognized branch consolidation costs of $0.3 million in the quarter ended February 28, 2022.

Other operating expenses for the nine months ended February 28, 2022 were $95.0 million, compared to $87.0 million in the prior fiscal year period. Other operating expenses increased $8.0 million primarily driven by lower government subsidies related to COVID-related governmental retention programs in Canada, the UK, Australia and New Zealand, which decreased by $8.9 million to $1.4 million as compared to $10.3 million in the prior fiscal year period, as well as lower equity investment income. In addition, the Company incurred higher employee-related expenses as the prior fiscal year period benefited from employee furlough and reduced work week programs in the first quarter of that period that did not reoccur in the period ended February 28, 2022. This increase was partially offset by lower severance expense related to restructuring programs, which decreased by $1.8 million to $0.7 million, compared to $2.5 million in the prior fiscal year quarter.

Segment operating loss for the quarter ended February 28, 2022 was $5.0 million, compared to $1.0 million in the prior fiscal year quarter. The decrease was primarily driven by lower revenues in Asia, coupled with lower subsidies from COVID-related governmental employee retention programs and higher freight costs.

Segment operating income for the nine months ended February 28, 2022 was $2.0 million, compared to $21.7 million in the prior fiscal year period. The decreases was primarily driven by lower revenues across all locations except Canada, coupled with higher freight costs and lower subsidies from COVID-related governmental employee retention programs. The Company expects increased costs related to labor, freight, paper and printing to continue to negatively impact the business.

Overhead

Unallocated overhead expense for the quarter ended February 28, 2022 increased by $7.3 million to $32.6 million, from $25.3 million in the prior fiscal year quarter. The increase was primarily attributable to higher unallocated employee-related expenses at the Company's Jefferson City, Missouri distribution facility, in addition to higher severance expense and related charges from the Company's restructuring programs, which increased by $1.8 million to $2.4 million compared to $0.6 million in the prior fiscal year quarter. This was partially offset by the $8.5 million asset impairment related to the leased office space in New York City in connection with the consolidation into the company-owned New York City headquarters that occurred in the prior fiscal year quarter.

Unallocated overhead expense for the nine months ended February 28, 2022 increased by $4.1 million to $74.6 million, from $70.5 million in the prior fiscal year period. The increase was primarily attributable to higher employee-related expenses due to unallocated expenses at the Company's Jefferson City, Missouri distribution facility as well as the prior fiscal year employee furlough and reduced work week programs and the COVID-related governmental employee retention credit, which resulted in lower employee-related expenses and did not reoccur in the period ended February 28, 2022. The increase was partially offset by lower severance expense and related charges from the Company's restructuring programs, which decreased by $10.5 million to $5.0 million compared to $15.5 million in the prior fiscal year period, coupled with $6.6 million of insurance recoveries received in the period ended February 28, 2022 related to an intellectual property legal settlement accrued in fiscal 2021. The prior fiscal year quarter also included the $8.5 million asset impairment related to the leased office space in New York City in connection with the consolidation into the company-owned New York headquarters.

Seasonality

The Company's *Children's Book Publishing and Distribution* school-based book club and book fair channels and most of its *Education Solutions* businesses operate on a school-year basis; therefore, the Company's business is highly seasonal. As a result, the Company's revenues in the first and third quarters of the fiscal year generally are lower than its revenues in the other two fiscal quarters. Typically, school-based channels and magazine revenues are minimal in the first quarter of the fiscal year as schools are not in session. Education channel revenues are generally higher in the first and fourth quarters. Trade sales can vary throughout the year due to varying release dates of published titles. Presently, there remain uncertainties concerning the timing of and any patterns which may emerge with respect to school instruction, whether in-school, remote or hybrid for the school year, and the nature and continuing magnitude of the negative impact of COVID-19 into and beyond the fourth quarter of fiscal 2022.

Liquidity and Capital Resources

Cash provided by operating activities was $178.5 million for the nine months ended February 28, 2022, compared to $36.5 million for the prior fiscal year period, representing an increase in cash provided by operating activities of $142.0 million. The increase in cash provided was primarily driven by the increase in revenues, primarily in the book fairs channel and the *Education Solutions* segment, resulting in higher cash collections, in addition to the federal income tax refund of $63.1 million and insurance recoveries of $6.6 million related to the intellectual property legal settlement, both received in the first fiscal year quarter. This was partially offset by the $20.0 million payment for the intellectual property legal settlement accrued in fiscal 2021, higher employee related costs due to inflationary pressures, and higher inventory purchases. Due to supply chain difficulties, the Company is currently ordering inventory in advance of anticipated demands, allowing for longer manufacturing and transportation lead times.

Cash used in investing activities was $30.5 million for the nine months ended February 28, 2022, compared to cash used in investing activities of $34.9 million in the prior fiscal year period, representing a decrease in cash used in investing activities of $4.4 million. The decrease in cash used was driven by lower capital expenditures of $9.1 million as the Company continued to limit spending to strategic investments in key growth areas of the business and in technology, both internal and customer-facing, to allow it to operate with greater efficiency. This was partially offset by net proceeds from the sale of the Lake Mary facility of $10.4 million in the period ended February 28, 2022 which were lower than the aggregate net proceeds from the sales of the Danbury and Southam facilities of $17.4 million which benefited the prior fiscal year period.

Cash used in financing activities was $202.9 million for the nine months ended February 28, 2022, compared to cash used in financing activities of $46.2 million for the prior fiscal year period, representing an increase in cash used in financing activities of $156.7 million. The increase in cash used is primarily related to repayments of borrowings under the U.S. credit agreement of $175.0 million during the nine months ended February 28, 2022, which resulted in no outstanding borrowings as of February 28, 2022. In addition, the Company reacquired $19.5 million of common stock with no such repurchases in the prior fiscal year period during which the repurchase program was suspended. The increase in cash used was partially offset by net proceeds from stock option exercises of $9.6 million in the current fiscal year period.

Cash Position

The Company's cash and cash equivalents totaled $308.9 million at February 28, 2022, $366.5 million at May 31, 2021 and $353.2 million at February 28, 2021. Cash and cash equivalents held by the Company's U.S. operations totaled $266.5 million at February 28, 2022, $318.0 million at May 31, 2021 and $305.9 million at February 28, 2021.

Due to the seasonal nature of its business as discussed under "Seasonality", the Company usually experiences negative cash flows in the June through October time period. As a result of the Company's business cycle, borrowings have historically increased during June, July and August, have generally peaked in September or October, and have been at their lowest point in May. As a precautionary measure in the context of the COVID-19 pandemic, the Company had accessed its committed bank credit facility in the fourth quarter of fiscal 2020 by taking a U.S. dollar LIBOR-based advance for $200.0 million. The Company has repaid these borrowings and there are no outstanding borrowings under the U.S. credit agreement as of February 28, 2022.

On October 27, 2021, the U.S. credit agreement was amended and restated, which, among other things, increased the borrowing limit from $250.0 million to $300.0 million and extended the maturity to October 27, 2026. See Note 5 of Notes to the Financial Statements - Unaudited in Item 1, "Financial Statements," for more information concerning the U.S. credit agreement.

The Company's operating philosophy is to use cash provided by operating activities to create value by paying down debt, reinvesting in existing businesses and, from time to time, making acquisitions that will complement its portfolio of businesses or acquiring other strategic assets, as well as engaging in shareholder enhancement initiatives, such as share repurchases or dividend declarations. The Company has lifted the temporary suspension of its open-market buy-back program under which $47.7 million remained available for future purchases of common shares as of February 28, 2022. During the nine months ended February 28, 2022, the Company repurchased $19.5 million of common stock, which includes a privately negotiated transaction with a related party for 300,000 shares at a discount to market price. See Note 18 of Notes to the Financial Statements - Unaudited in Item 1, "Financial Statements," for more information concerning the related party transaction.

The Company has maintained, and expects to maintain for the foreseeable future, sufficient liquidity to fund ongoing operations, including working capital requirements, pension contributions, postretirement benefits, debt service, planned capital expenditures and other investments, as well as dividends and share repurchases as appropriate in the context of COVID-19 considerations. As of February 28, 2022, the Company’s primary sources of liquidity consisted of cash and cash equivalents of $308.9 million, cash from operations and the Company's U.S. credit agreement and UK loan agreements. As indicated above, the U.S. credit agreement was amended and restated on October 27, 2021, which increased the borrowing limit from $250.0 million to $300.0 million. The Company expects the U.S. credit agreement to provide it with an appropriate level of flexibility to strategically manage its business operations. The Company's U.S. credit agreement and its loan agreements in the UK total $306.9 million, less borrowings of $6.9 million and commitments of $0.4 million, resulting in $299.6 million of availability. Additionally, the Company has short-term credit facilities of $37.7 million, less current borrowings of $6.8 million and commitments of $3.9 million, resulting in $27.0 million of current availability under these facilities at February 28, 2022. Accordingly, the Company believes these sources of liquidity are sufficient to finance its currently anticipated ongoing operating needs, as well as its financing and investing activities, taking COVID-19 into consideration.

Financing

The Company is party to the U.S. credit agreement, the UK loan agreements and certain credit lines with various banks as described in Note 5 of Notes to Condensed Consolidated Financial Statements - unaudited in Item 1, “Financial Statements." The Company had no outstanding borrowings under the U.S. credit agreement as of February 28, 2022. As indicated above, on October 27, 2021, the Company amended and restated the U.S. credit agreement, which included an increase in the maximum commitments and extension of the maturity date. On September 23, 2019, Scholastic Limited UK entered into a term loan agreement to borrow £2.0 million to fund a land purchase in connection with the construction of the new UK facility in Warwickshire. The loan has a maturity date of July 31, 2022. As of February 28, 2022, the Company had $2.7 million outstanding on the loan. On January 24, 2020, Scholastic Limited UK entered into a term loan facility to fund the construction of the new UK facility in Warwickshire. As of February 28, 2022 the borrowing limit was £3.2 million. The loan has a maturity date of July 31, 2022. As of February 28, 2022, the Company had $4.2 million outstanding on the loan and no remaining available credit under this facility.

The Company is party to loan agreements, notes or other documents or instruments which reference the London Interbank Offered Rate, or LIBOR, as the benchmark interest rate index used to set the borrowing rate on certain short-term and variable-rate loans or advances. The ICE Benchmark Administration (IBA) ceased the publication of 1-week and 2-month USD LIBORs effective December 31, 2021 and will cease overnight, 1-month, 3-month, 6-month and 12-month LIBORs effective June 30, 2023. The Company is working with its financial institutions to replace USD LIBOR with alternative reference rates in financial contracts as they mature, or as the Company requires.

The markets have provided several replacements for USD LIBOR, including the Bloomberg Short-Term Bank Yield Index (BSBY) and the ARRC’s Secured Overnight Financing Rate (SOFR), either of which will be made available to the Company by its agent banks as a substitute for USD LIBOR. The Company does not believe that the change in reference rates will have any material effect on its ability to access the credit markets under its existing financing agreements, or its ability to modify or amend financial contracts, if required.

New Accounting Pronouncements

Reference is made to Note 1 of Notes to Financial Statements - unaudited in Item 1, “Financial Statements,” for information concerning recent accounting pronouncements since the filing of the Company’s Annual Report on Form 10-K for the fiscal year ended May 31, 2021.

Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. Additional written and oral forward-looking statements may be made by the Company from time to time in Securities and Exchange Commission ("SEC") filings and otherwise. The Company cautions readers that results or expectations expressed by forward-looking statements, including, without limitation, those relating to the Company's future business prospects and strategic plans, ecommerce and digital initiatives, new product introductions, strategies, new education standards, goals, revenues, improved efficiencies, general operating costs, including transportation and labor costs, manufacturing costs, medical costs, potential cost savings, merit pay, operating margins, working capital, liquidity, capital needs, the cost and timing of capital projects, interest costs, cash flows and income, are subject to risks and uncertainties, including, in particular, how the foregoing may be affected by developments in the context of the current COVID-19 pandemic and measures or responses of governmental authorities, school administrators, business suppliers or customers, which may have an impact on the Company's operations and could cause actual results to differ materially from those indicated in the forward-looking statements, due to factors including those noted in the Annual Report and this Quarterly Report and other risks and factors identified from time to time in the Company's filings with the SEC. The Company disclaims any intention or obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

The Company conducts its business in various foreign countries, and as such, its cash flows and earnings are subject to fluctuations from changes in foreign currency exchange rates. The Company sells products from its domestic operations to its foreign subsidiaries, creating additional currency risk. The Company manages its exposures to this market risk through internally established procedures and, when deemed appropriate, through the use of short-term forward exchange contracts, which were not significant as of February 28, 2022. The Company does not enter into derivative transactions or use other financial instruments for trading or speculative purposes.

Market risks relating to the Company's operations result primarily from changes in interest rates in its variable-rate borrowings. The Company is subject to the risk that market interest rates and its cost of borrowing will increase and thereby increase the interest charged under its variable-rate debt.

Additional information relating to the Company's outstanding financial instruments is included in Note 5 of Notes to Condensed Consolidated Financial Statements - unaudited in Item 1, "Financial Statements."

The following table sets forth information about the Company's debt instruments as of February 28, 2022:

($ amounts in millions)	**Fiscal Year Maturity**							
	2022[1]	**2023**	**2024**	**2025**	**2026**	**Thereafter**	**Total**	**Fair Value at 2/28/2022**
Debt Obligations								
Lines of credit and current portion of long-term debt	$ 6.8	$ 6.9	$ —	$ —	$ —	$ —	$ 13.7	$ 13.7
Average interest rate	5.1 %	2.8 %	—	—	—	—		

(1) Fiscal 2022 includes the remaining three months of the current fiscal year ending May 31, 2022.

The Chief Executive Officer and the Chief Financial Officer of the Corporation, after conducting an evaluation, together with other members of the Company's management, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of February 28, 2022, have concluded that the Corporation's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Corporation in its reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and accumulated and communicated to members of the Company's management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. There was no change in the Corporation's internal control over financial reporting that occurred during the quarter ended February 28, 2022 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II – OTHER INFORMATION

SCHOLASTIC CORPORATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information with respect to repurchases of shares of Common Stock by the Corporation during the three months ended February 28, 2022:

Issuer Purchases of Equity Securities
(Dollars in millions, except per share amounts)

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares (or approximate dollar value) that may yet be purchased under the plans or programs (i)
December 1 through December 31, 2021	20,700	37.43	20,700	$62.3
January 1 through January 31, 2022 (ii)	312,434	40.65	312,434	49.6
February 1 through February 28, 2022	45,257	41.56	45,257	47.7
Total	**378,391**		**378,391**	**$47.7**

(i) Represents the amount remaining at February 28, 2022 under the current $50.0 Board authorization for Common share repurchases announced on March 18, 2020, which is available for further repurchases, from time to time as conditions allow, on the open market or through privately negotiated transactions. See Note 12 of Notes to Condensed Consolidated Financial Statements - unaudited in Item 1, “Financial Statements,” for a description of the Company’s share buy-back program and share repurchase authorizations.

(ii) Includes 300,000 shares repurchased from a related party in a privately negotiated transaction at a discount to market price. See Note 18 of Notes to Condensed Consolidated Financial Statements - unaudited in Item 1, “Financial Statements,” for details regarding the related party transaction.

SCHOLASTIC CORPORATION
Item 6. Exhibits

Exhibits:

10.1	Share Repurchase Agreement between Scholastic Corporation and the Preliminary co-Executors of the Estate of M. Richard Robinson, Jr., effective January 12, 2022.
10.2*	Offer of Employment Letter between Scholastic Corporation and Mary Beech, effective January 4, 2022.
10.3*	Supplemental Incentive Bonus Plan Agreement between Scholastic Corporation and Rosamund M. Else-Mitchell, effective February 8, 2022.
31.1	Certification of the Chief Executive Officer of Scholastic Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of Scholastic Corporation filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications of the Chief Executive Officer and Chief Financial Officer of Scholastic Corporation furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial Statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended February 28, 2022 formatted in Inline Extensible Business Reporting Language: (i) Condensed Consolidated Statements of Operations; (ii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) Condensed Consolidated Balance Sheets; (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity; (v) Condensed Consolidated Statements of Cash Flows; and (vi) Notes to Condensed Consolidated Financial Statements.
104	Cover Page, formatted in Inline Extensible Business Reporting Language and contained in Exhibit 101.

* The referenced exhibit is a management contract or compensation plan or arrangement described in Item 601(b) (10) (iii) of Regulation S-K.

SCHOLASTIC CORPORATION
QUARTERLY REPORT ON FORM 10-Q, DATED February 28, 2022
Exhibits Index

Exhibit Number	Description of Document
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* The referenced exhibit is a management contract or compensation plan or arrangement described in Item 601(b) (10) (iii) of Regulation S-K.

SCHOLASTIC CORPORATION
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		SCHOLASTIC CORPORATION (Registrant)
Date: March 18, 2022	By:	/s/ Peter Warwick
		Peter Warwick
		President and Chief Executive Officer (Principal Executive Officer)
Date: March 18, 2022	By:	/s/ Kenneth J. Cleary
		Kenneth J. Cleary
		Chief Financial Officer (Principal Financial Officer)

SHARE REPURCHASE AGREEMENT

This SHARE REPURCHASE AGREEMENT (this "Agreement") is made and entered into as of January 12, 2022 by and between Scholastic Corporation, a Delaware corporation (the "Company"), and the Preliminary co-Executors of the Estate of M. Richard Robinson, Jr., ("Stockholder").

RECITAL

WHEREAS, the Stockholder has offered to sell to the Company up to 300,000 shares of the Company's common stock, par value, $.01 per share ("Common Shares") at the price per share determined in accordance with Section 1 below, including the formula provided in Schedule A, (the "Transaction"); and

WHEREAS, the Company has a share repurchase program pursuant to which up to approximately $63 million may be employed to repurchase Common Shares in the open market or through privately negotiated transactions; and

WHEREAS, the Stockholder is a related party vis a vis the Company because the two Preliminary co-Executors are executive officers and, in one case, a director of the Company; and

WHEREAS, because of the related party aspects of the Transaction, the Company referred consideration of the matter to the Company's Audit Committee (the "Committee"); and

WHEREAS, the Committee approved the Transaction (subject to approval by all of the disinterested members of the full Board of Directors) after considering, among other factors, the following: (i) the Company's capacity to execute the Transaction under its existing share repurchase program, (ii) the limited amount of Common Shares that the Company has been able to repurchase subject to the Rule 10b-18 safe harbor guidelines since it restarted purchases under its share repurchase program, (iii) the Company's current share repurchase goals, (iv) the Company's available cash position, (v) the Company's desire to reverse the impact of dilutive issuance of Common Shares from compensatory programs, (vi) the ability to execute the Transaction without the need for the Company to pay brokerage fees on the shares to be repurchased, (vii) information obtained from an independent financial adviser selected by the Committee and (viii) the material terms of an indicative offer made to the Stockholder for a share purchase by an independent third party financial institution; and

WHEREAS, the Board of Directors (without the participation of the interested director) approved the Transaction of the basis of the Committee's recommendation.

AGREEMENT

NOW, **THEREFORE**, in consideration of the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. Repurchase. Subject to the terms and conditions set forth in this Agreement, Stockholder hereby agrees to sell, assign, transfer, convey and deliver all its right, title and interest in and to 300,000 Common Shares (the "Repurchased Shares") to the Company free and clear of all liens, encumbrances, pledges, options, warrants, rights of first refusal, claims, charges, restrictions or claims or rights of third parties of any kind or nature (collectively, "Liens"), other than the lien of UBS Bank USA (the "UBS Lien") which will be released in connection with the repayment of a loan ("Stockholder Loan"), constituting an obligation of the Stockholder, out of the proceeds of this Transaction. The Company hereby agrees to repurchase and accept delivery of the Repurchased Shares in exchange for the payment of the Aggregate Cash Consideration, which is defined as the amount determined by multiplying (A) 300,000 by (B) the price per share number determined as set forth on Schedule A. Stockholder hereby acknowledges and agrees that receipt of the Aggregate Cash Consideration shall constitute complete

satisfaction of all obligations or any other sums due to such Stockholder with respect to repurchase of the Repurchased Shares.

2. Closing. The closing of the repurchase provided for herein (the "Closing") shall take place on January 20, 2022 (or such other date as the parties may mutually agree) at the offices of the Company located at 557 Broadway, New York, New York 10012 (or at such other place upon which the parties hereto may mutually agree). At the Closing, the following shall occur:

a. Stockholder Deliveries. The Repurchased Shares are credited to or otherwise held in a securities account maintained by Stockholder at UBS Bank USA and are to be delivered through the facilities of The Depository Trust Company. The Stockholder shall take such actions necessary to provide appropriate instruction to UBS Bank USA to effect the transfer of the Repurchased Shares from Stockholder's account to the account at a financial institution designated by the Company for the receipt of the Repurchased Shares so transferred in Schedule B to this Agreement. In connection with any account to which the Repurchased Shares are credited or otherwise held, Stockholder shall execute and deliver such other and further documents or instruments necessary, in the reasonable opinion of the Company, to effect a legally valid transfer to the Company hereunder. Substantially concurrently with the Closing, Stockholder will also provide evidence satisfactory to the Company that the Stockholder Loan has been repaid in full and that the UBS Lien has been released from the Repurchased Shares.

b. Company Deliveries. The Company shall deliver by wire transfer in immediately available funds out of the proceeds of the Aggregate Cash Consideration: (i) to UBS Bank USA to the account listed in Schedule C hereto that has been designated by UBS Bank USA in the amount set forth in Schedule C and (ii) the remainder of the Aggregate Cash Consideration to the account listed in Schedule D hereto that has been designated by Stockholder.

3. No Further Ownership Interest. From and after the Closing, Stockholder shall have no further right or title to or interest in the Repurchased Shares or any dividends, distributions, equity interests or other rights in respect thereof.

4. Representations and Warranties of Stockholder. Stockholder represents and warrants to the Company as follows:

a. Title to Shares. As of the date hereof, Stockholder owns good and marketable title to the Repurchased Shares and such Repurchased Shares are free and clear of all Liens, other than the UBS Lien. Except for this Agreement, Stockholder has not entered into or agreed to be bound by any other arrangements or agreements of any kind with any other Person with respect to the Repurchased Shares, including, but not limited to, arrangements or agreements with respect to the acquisition or disposition thereof or any interest therein or the voting of any such Repurchased Shares.

b. Binding Effect. This Agreement is a legal, valid and binding obligation of Stockholder, enforceable against Stockholder in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws relating to or affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

c. Governmental Authorization; Third Party Consent. No approval, consent, compliance, exemption, authorization, or other action by or notice to, or filing with, any governmental authority or any other person in respect of any requirements of law is necessary or required by Stockholder in connection with the execution, delivery or performance by Stockholder of this Agreement, except for such approval, consent, compliance, exemption, authorization, or other action which, if not obtained or made, would not reasonably be likely to prevent or materially delay Stockholder from performing its obligations under this Agreement in all material respects.

d. Brokers or Finders. Stockholder has not employed or entered into any agreement with, nor is Stockholder subject to, any valid claim of any broker, finder, financial advisor, consultant, or other intermediary in connection with the transactions contemplated by this Agreement who might be entitled to a fee or commission in connection with such transactions.

e. Legal Proceedings. There are no legal proceedings pending or, to the knowledge of Stockholder, threatened, to which Stockholder is or may be a party, that (i) challenge the validity or enforceability of Stockholder's obligations under this Agreement or (ii) seek to prevent, delay or otherwise would reasonably be expected to materially adversely affect the consummation by Stockholder of the transactions contemplated hereby.

f. Material Non-Public Information. Stockholder acknowledges and agrees that the Company may possess material, nonpublic information that has not been disclosed by the Company. Stockholder hereby further acknowledges that it is entering into this Agreement and the transactions contemplated hereby notwithstanding this disparity of information, if any, and waives any claims related to this information disparity.

g. Absence of Trading. Stockholder has not transacted any purchases or sales of Common Shares (or any related securities) any time after December 31, 2021.

5. Representations and Warranties of the Company. The Company represents and warrants to Stockholder as follows:

a. Authority; Binding Effect. The Company is a corporation validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority and has taken all necessary action required for the due authorization, execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated herein. This Agreement is a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws relating to or affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

b. No Violation. Neither the execution and delivery of this Agreement by the Company, nor the repurchase of the Repurchased Shares owned by Stockholder pursuant to this Agreement, will (i) result in a breach of its organizational documents, (ii) result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any material agreement, lease or other instrument or obligation to which the Company is a party, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained and are in full force and effect or which would not impair the Company's ability to consummate the transactions contemplated by this Agreement, or (iii) violate any order, writ, injunction or decree applicable to the Company or any of the Company's material assets.

c. Governmental Authorization; Third Party Consent. No approval, consent, compliance, exemption, authorization, or other action by or notice to, or filing with, any governmental authority or any other person in respect of any requirements of law is necessary or required by the Company in connection with the execution, delivery or performance by the Company of this Agreement, except for such approval, consent, compliance, exemption, authorization, or other action which, if not obtained or made, would not reasonably be likely to prevent or materially delay the Company from performing its obligations under this Agreement in all material respects.

d. Brokers or Finders. Except for the Company's engagement of an investment banking firm identified to the Stockholder, as an advisor in connection with the transactions contemplated by this Agreement, the Company has not employed or entered into any agreement with, nor is the Company subject to, any valid claim of any broker, finder, consultant, financial advisor or other intermediary in connection with the transactions contemplated by this Agreement who might be entitled to a fee or commission in connection with such transactions.

e. Exchange Act Reports. The Company's reports filed with the Securities and Exchange Commission (the "Commission") pursuant to Section 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934, as amended, and any amendment or supplement thereto, did not, when filed with the Commission, and do not, as of the date hereof, contain an untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

6. Affirmative Covenants.

(a) The parties hereto acknowledge and agree that the Company shall submit to the Commission a report on Form 8-K disclosing the repurchase transaction following the Closing (the "Form 8-K"). Stockholder shall have the right to provide comments on the text of the Form 8-K prior to it being provided to the Commission.

(b) Neither the parties hereto nor any of their related parties shall disclose the terms of this Agreement to any person, except as may be required by law or legal process (including any probate process applicable to the Stockholder) and except for any disclosure to UBS Bank USA that is reasonably necessary in connection with the release of the UBS Lien, the repayment of the Stockholder Loan and to facilitate delivery of the Repurchased Shares in connection with the Closing. The parties may, however, refer to the Form 8-K and its contents after it is submitted to the Commission.

(c) Each party agrees that its representations and warranties shall be true and correct on the date of Closing.

7. Miscellaneous.

a. Amendment. This Agreement may not be amended or waived in any respect except by a written agreement signed by the parties hereto.

b. Survival. Each of the representations, warranties, covenants and agreements contained in this Agreement shall survive the Closing and continue in full force and effect in accordance with its terms, but is subject to all applicable statutes of limitation, statutes of repose and other similar defenses provided in law or equity.

c. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and shall supersede all previous negotiations, commitments, agreements and understandings (both oral and written) with respect to such subject matter.

d. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one agreement. Delivery of an executed counterpart of a signature page of this Agreement by facsimile transmission or electronic image scan shall be effective as delivery of a manually executed counterpart of this Agreement.

e. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

f. Expenses. Each party shall bear its own expenses and fees in connection with the execution of this Agreement and the consummation of the transactions contemplated hereby.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

SCHOLASTIC CORPORATION

By: /s/ Peter Warwick

Name: Peter Warwick

Title: Chief Executive Officer

THE PRELIMINARY CO- EXECUTORS OF THE ESTATE OF M. RICHARD ROBINSON, JR.

By: /s/ Iole Lucchese

Name: Iole Lucchese

Title: Preliminary Co-Executor and Designated Scholastic Special Purpose Executor

SCHEDULE A
PRICE DETERMINATION FORMULA

The price per Common Share to be paid shall be the product of (i) 0.958 and (ii) the closing price of a Common Share of Scholastic as of the end of the regular trading session (4:00 p.m. EST) on January 12, 2022.

SCHEDULE B
COMPANY SECURITIES ACCOUNT INFORMATION

(Account name and address to which the repurchased shares shall be delivered)

Agent: Computershare
Agent’s Address: Newport Office Center VII
480 Washington Boulevard 29th Floor
Jersey City, New Jersey 07310
Attention: Mr. Cory McQuillen
Agent’s DTC No.: 50237
For Account: Scholastic Corporation Treasury Account
Account No.: redacted

SCHEDULE C

Name and Address of UBS Bank Account
(for receipt of repayment proceeds)

(To be provided)

SCHEDULE D

(Name and address of Stockholder account for any remaining proceeds)

(To be provided)

Exhibit 10.2

Mary Beech

January 4th, 2022

Dear Mary:

It is my pleasure to confirm your employment with Scholastic Corporation as Chief Marketing and Transformation Officer, reporting to me. You will receive a base salary at the rate of $725,000 per annum, which will be paid to you on a bi-weekly basis. Your start date is January 1, 2022.

We will recommend to the compensation committee of our Board of Directors that you receive annual equity incentive grants under the Scholastic Corporation 2021 Stock Incentive Plan with a value of $500,000 per year in 2022, 2023 and 2024. The grant dates are expected to be in March 2022, September 2023,September 2024 and such value to be paid 60% in restricted stock units and 40% in stock options. The number of stock options granted will be determined based on the Black Scholes model of calculating the fair value of a stock option on the date of each grant, and the number of restricted stock units awarded will be determined by using the fair market value of the Scholastic common stock on the date of each grant. These grants will vest in three equal annual installments over three years, with the first installment vesting on the first anniversary of the date of the applicable grant. You will continue to be eligible for long term equity incentives thereafter. Your performance and salary will also be reviewed annually, starting in October 2022 during our common merit review process.

You will be eligible to participate in our Scholastic Short Term Incentive Plan (STIP) with a bonus target percentage of 50% of your base salary. The bonus opportunity is based on corporate and divisional performance each fiscal year (June 1- May 31) and will be prorated to reflect the actual term of employment during the first fiscal year. You must be an active employee of Scholastic in order to receive payment. You will receive a one-time sign-on bonus of $200,000, which will be paid to you when you join the company.

You will receive four weeks of vacation annually.

Your medical coverage, life insurance and 401(k) benefits will commence the day you begin work, provided you enroll within the first 31 days of employment. Scholastic is committed to helping our employees and their families lead healthy, productive lives. Our benefits packages and wellness programs help our employees succeed at work and at home. We offer an array of flexible plans with options that allow employees to select the plan most appropriate for them. Following your acceptance of this offer, l will arrange for someone to provide initial orientation in New York and introduce you to our benefits programs and how
to enroll, as well as to take you through the payroll and other forms and policies which will need to be accomplished in order for your paycheck to be processed.

In addition, please return to me a scanned copy of this offer letter, signed by you, along with valid identification (i.e., social security card and driver's license or passport, visa or green card) as proof of employment eligibility, which will also be required as part of the onboarding process.

Employment at Scholastic is at the will of the Company and/or you and as such this letter does not create a contract of permanent employment. If you have any other questions, please do not hesitate to contact me.

And finally, welcome to Scholastic! I am both pleased and excited by your joining the Company and am confident that you will make a significant contribution to Scholastic's success and will play an important role within our Company. I am looking forward to working with you.

Sincerely,

/s/ Peter Warwick

Peter Warwick

President and Chief Executive Officer

/s/ Mary Beech January 4, 2022

Mary Beech

M E M O R A N D U M

TO: Rose Else-Mitchell

FROM: Peter Warwick

DATE: January 20, 2022

SUBJECT: Three Year Supplemental Incentive Plan Agreement

At its December 2021 meeting, the Human Resources Compensation Committee ("HRCC") of the Scholastic Board of Directors, approved a Three Year Supplemental Incentive Plan as a bridge between your current annual bonus target of 50% and your prior annual bonus target of 75%. The plan is effective for FY 2022, FY2023 and FY 2024. This plan will be curtailed if, during this period, the Corporate Bonus Plan ("STIP") is replaced with a scheme that pays out 75% or more of salary of your salary at target.

Three Year Supplemental Incentive Plan:

The Supplemental Incentive Plan will be funded based on the metrics and goals set each year. The financial metrics for year one will be set on the basis of FY2022 Forecast 2 and for years two and three on the basis of the final budget for FY 2023 and FY 2024.

YEAR 1 Metrics and Bonus Payout:

- **Metric 1 -** 50% Revenue growth of Education Solutions – FY2022 Budget revenue (target) F2 forecast is $356M.
- The Bonus payout for performance above the revenue threshold up to the maximum revenue target, the bonus payout will be determined proportionately.

Supplemental Bonus $	Revenue Target ($M)
Threshold	$314m
$15.0k	$324m
$30.0k	$334m
$50.0k	$344m
$75.0k	$354m
$110.0k Cap	**$364m**

- **Metric 2 -** Operational Execution Components – A bonus will be paid for each component if achieved (all-or-nothing payout)

Operational Execution Components	Bonus $
Florida New Worlds Reading Initiative is profitable in FY 2022	$25k
Florida New Worlds Reading Initiative produces $1m operating profit in FY 2022	$50k
Achieve digital subscription revenues of $18,773,674	$25k
Achieve targeted Divisional SKU reduction by end FY2022	$25k
Maximum bonus	**$125k**

- The maximum combined bonus payout for FY2022 is $235,000.

YEAR 1 Pay Date:

This Plan will pay out annually after the results for each fiscal year are finalized. The bonus pay date for the FY2022 bonus will be the pay date on or before August 15, 2022.

By: /s/ Peter Warwick Date: February 8, 2022
Peter Warwick, Chief Executive Officer and President

By signing below, you indicate your agreement with the terms.

AGREED TO AND ACCEPTED:

By: /s/ Rosamund Else-Mitchell Date: February 8, 2022
Rosamund Else-Mitchell, President Education Solutions

Exhibit 31.1

I, Peter Warwick, the principal executive officer of Scholastic Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Scholastic Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d- 15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2022

/s/ Peter Warwick

Peter Warwick
President and Chief Executive Officer

Exhibit 31.2

I, Kenneth J. Cleary, the principal financial officer of Scholastic Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Scholastic Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2022

/s/ Kenneth J. Cleary

Kenneth J. Cleary
Chief Financial Officer

Exhibit 32

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
with Respect to the Quarterly Report on Form 10-Q
for the Quarter ended February 28, 2022
of Scholastic Corporation

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Scholastic Corporation, a Delaware corporation (the “Company”), does hereby certify, to the best of such officer’s knowledge, that:

1. The Company’s Quarterly Report on Form 10-Q for the quarter ended February 28, 2022 (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 18, 2022

/s/ Peter Warwick
Peter Warwick
Chief Executive Officer

Date: March 18, 2022

/s/ Kenneth J. Cleary
Kenneth J. Cleary
Chief Financial Officer

The certification set forth above is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Form 10-Q or as a separate disclosure document of the Company or the certifying officers.