SCHOLASTIC

Fourth Quarter 2023 Earnings Call Presentation

Thursday, July 20, 2023

Forward-Looking Statements / Regulation G

This presentation contains certain statements made today which will be forward-looking. These forward-looking statements, by their nature, are subject to various risks and uncertainties, and actual results may differ materially from those currently anticipated.

Today's comments include references to certain non-GAAP financial measures as defined in Regulation G. The reconciliation of these non-GAAP financial measures with the relevant GAAP financial information and other information required by Regulation G is provided in the Company's earnings release, which is posted on the Company's investor relations website at investor.scholastic.com.


Peter Warwick
President and Chief Executive Officer

Fourth Quarter and Fiscal 2023 Results

- Record Q4 operating income, up 40% versus prior year period on modest growth
  - Performance management, operating leverage and improved efficiencies helped overcome headwinds
  - Profits rose across all business segments as teams aligned spending and unlocked sales
- FY23 results met or exceeded revised guidance
  - FY23 Adjusted EBITDA (as defined in Appendix) of $196 million, up from $189 million in FY22
- Continued strong Free cash flow relative to net income, despite higher inventory purchases and growth investments

Fourth Quarter 2023 Segment Highlights

- Children's Books revenues rose 5%, outperforming overall children's book market, with operating income up 25%
    - Book Fairs revenues up 12% on increased fair count and higher revenue per fair, contributing to segment operating leverage
    - Book Clubs revenues declined 4% due to lower revenue per order and teacher participation
    - Trade revenues declined 5%, reflecting overall softness in retail market which impacted backlist, partially offset by strength of multiple bestselling titles
- Education Solutions segment revenues increased 4%, driven by strength in summer reading programs and state-sponsored programs; operating income up 20% on operating leverage and lower marketing costs
- International revenues declined and profits rose, largely driven by Q1 exit of unprofitable direct sales business in Asia; excluding this and negative foreign exchange impact, revenues increased 3%

Scholastic’s Multi-Year Strategy for Growth

Leverage scale and competitive advantages to sustain revenue growth and higher earnings in Children’s Books

Invest to grow digital sales in Education Solutions, building on strengths of profitable print offerings

Improve operating efficiencies – and hold gains achieved since pandemic – across Company

Deploy free cash flow and balance sheet to invest in strategic growth opportunities and enhance shareholder returns

Driving Long-Term Earnings Growth in Children's Books

- Scholastic's scale, content and direct access to customers provide unique position to drive revenue growth and operating leverage in Children's Books
- Newly integrated School Reading Events division expected to be key driver of future profitable growth
    - Book Fairs continuing with new customer-centric strategies and operational improvements, which drove strong growth and contribution in FY23
    - Book Clubs now implementing strategies and improvements that benefited Fairs
    - Expect integration to remove structural barriers and leverage synergies for profitable long-term growth
- Trade Publishing and Entertainment divisions continuing to develop unrivaled content, driving revenue and building tentpole series and titles
    - Upcoming releases include next title in Dav Pilkey's Cat Kid Comic Club® series and new titles in bestselling graphic novel series
    - Announced innovative "multi-platform" model with new Zombie Season™ series, in partnership with Roblox®
    - Launching live-action Goosebumps® series on Disney+®

Building Blended Offerings in Education Solutions

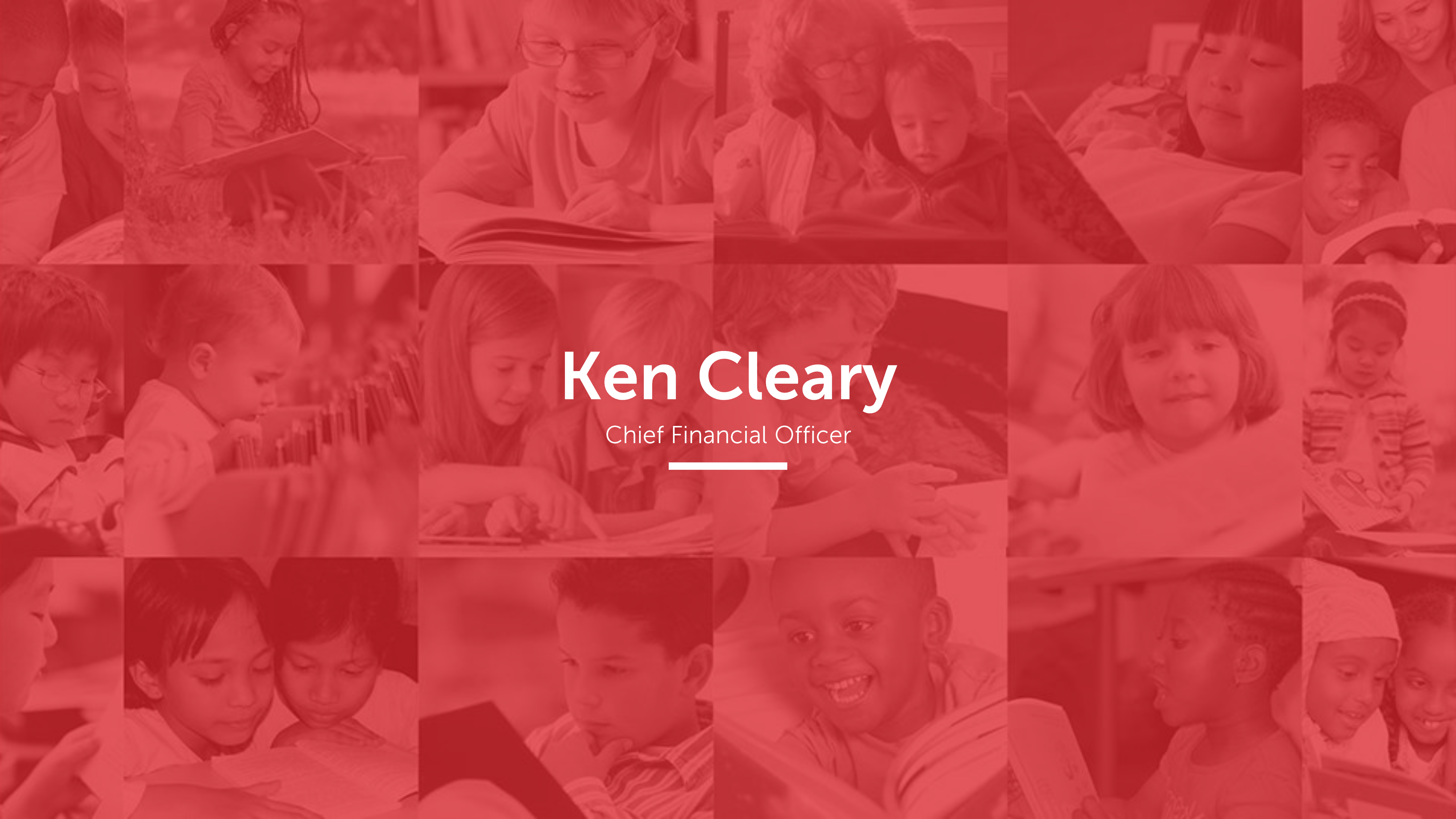
- Investments to grow digital sales with new blended literacy programs builds on long-time strengths of profitable print content businesses
  - Leveraging strong reputation in schools, unique literacy content, and distribution capabilities to grow blended sales with new solutions
  - Building new products and capabilities will impact short-term earnings; investments expected to result in higher-margin revenue streams over the long-term
- Launched Ready4Reading™, speech-recognition enabled print and digital K-3 foundational reading phonics program, aligned with science-based approaches to literacy
  - First blended program to launch under new strategy; leverages core IP from Learning Ovations acquired last year
- Continued strength in print-based education offerings, including summer programs, classroom libraries and state-based partnerships
  - Programs diversify customers beyond limits of school and district budgets while expanding reach and impact

Improving Cross-Company Efficiencies

- Committed to protecting efficiency improvements while investing in new capabilities to support long-term strategy
    - Gains in overhead and fixed costs enabled strong operating leverage and earnings growth in Q4
    - More efficient organization today in centralized functions and across divisions compared to pre-pandemic
- Pursuing further opportunities to lower costs and improve efficiencies in fiscal 2024
    - School Reading Events integration
    - Reorganization of Canadian book clubs
    - Centralizing some go-to-market capabilities and investing in process improvements

Deploying Capital for Growth and Shareholder Returns

- Continuing to leverage strong free cash flow and balance sheet to invest in profitable growth
  - Investing organically and inorganically to grow Education Solutions business
  - Exploring additional opportunities to profitably grow Children's Books segment
  - Investing to generate income from real estate assets and increase efficiency in supply chain and distribution
- Remain committed to returning capital in excess of growth and balance sheet needs
  - Returned over $160 million to shareholders in FY23, underscoring renewed focus on deploying capital
  - $100 million increase in open-market share buybacks authorized by Board


Ken Cleary
Chief Financial Officer

Fiscal 2023 Highlights

- Strong FY23 results demonstrate Company's operating leverage and improved efficiencies achieved since pandemic
    - Invested to transform components of supply chain, operations, logistics and go-to-market capabilities over last 36 months
    - Greater efficiencies helped preserve strong variable margins, despite higher costs, and operating leverage
- Revenues increased 4% and operating income increased 9%
    - Offset headwinds in retail bookselling market, longer selling cycles, higher costs and supply chain pressures
- Earnings per diluted share up 5% to $2.49
- Free cash flow of $60.0 million on Net income of $86.3 million

Fourth Quarter Segment Results (excluding one-time items)

In $ Millions	Three Months Ended 05/31/2023	Three Months Ended 05/31/2022	Change	Twelve Months Ended 05/31/2023	Twelve Months Ended 05/31/2022	Change
Children's Book Publishing and Distribution						
Revenues						
Book Clubs	$ 26.2	$ 27.2	(4) %	$ 117.8	$ 126.4	(7) %
Book Fairs	180.5	161.5	12 %	553.1	429.7	29 %
Consolidated Trade	84.3	88.5	(5) %	367.1	390.4	(6) %
Total Revenues	291.0	277.2	5 %	1,038.0	946.5	10 %
Operating income (loss)	58.4	46.8	25 %	143.4	115.3	24 %
Education Solutions						
Revenues	163.4	156.8	4 %	386.6	393.6	(2) %
Operating income (loss)	55.0	45.8	20 %	58.4	81.8	(29) %
International						
Revenues	73.9	80.4	(8) %	279.4	302.8	(8) %
Operating income (loss)	2.2	1.9	16 %	(3.6)	5.0	NM
Overhead	23.6	28.4	(17) %	91.9	104.6	(12) %
Operating income (loss)	$ 92.0	$ 66.1	39 %	$ 106.3	$ 97.5	9 %

NM - Not meaningful

Fourth Quarter Balance Sheet and Cash Flow Results

In $ Millions	May 31, 2023	May 31, 2022
Free cash flow (use) (3 month period ending)[1]	$ 85.7	$ 34.9
Free cash flow (use) (12 month period ending)[1]	$ 60.0	$ 182.8
Accounts receivable, net	$ 278.0	$ 299.4
Inventories, net	$ 334.5	$ 281.4
Accounts payable	$ 170.9	$ 162.3
Deferred revenue	$ 169.1	$ 172.8
Accrued royalties	$ 52.8	$ 61.3
Total debt	$ 6.0	$ 6.5
Cash and cash equivalents	$ 224.5	$ 316.6
Net cash (debt)[2]	$ 218.5	$ 310.1

1. Free cash flow (use) is defined by the Company as net cash provided by or used in operating activities (which includes royalty advances) and cash acquired through acquisitions and from sale of assets, reduced by spending on property, plant and equipment and prepublication costs. The Company believes that this non-GAAP financial measure is useful to investors as an indicator of cash flow available for debt repayment and other investing activities, such as acquisitions. The Company utilizes free cash flow as a further indicator of operating performance and for planning investing activities.

2. Net cash (debt) is defined by the Company as cash and cash equivalents, net of lines of credit and short-term debt plus long-term-debt. The Company utilizes this non-GAAP financial measure, and believes it is useful to investors, as an indicator of the Company's effective leverage and financing needs.

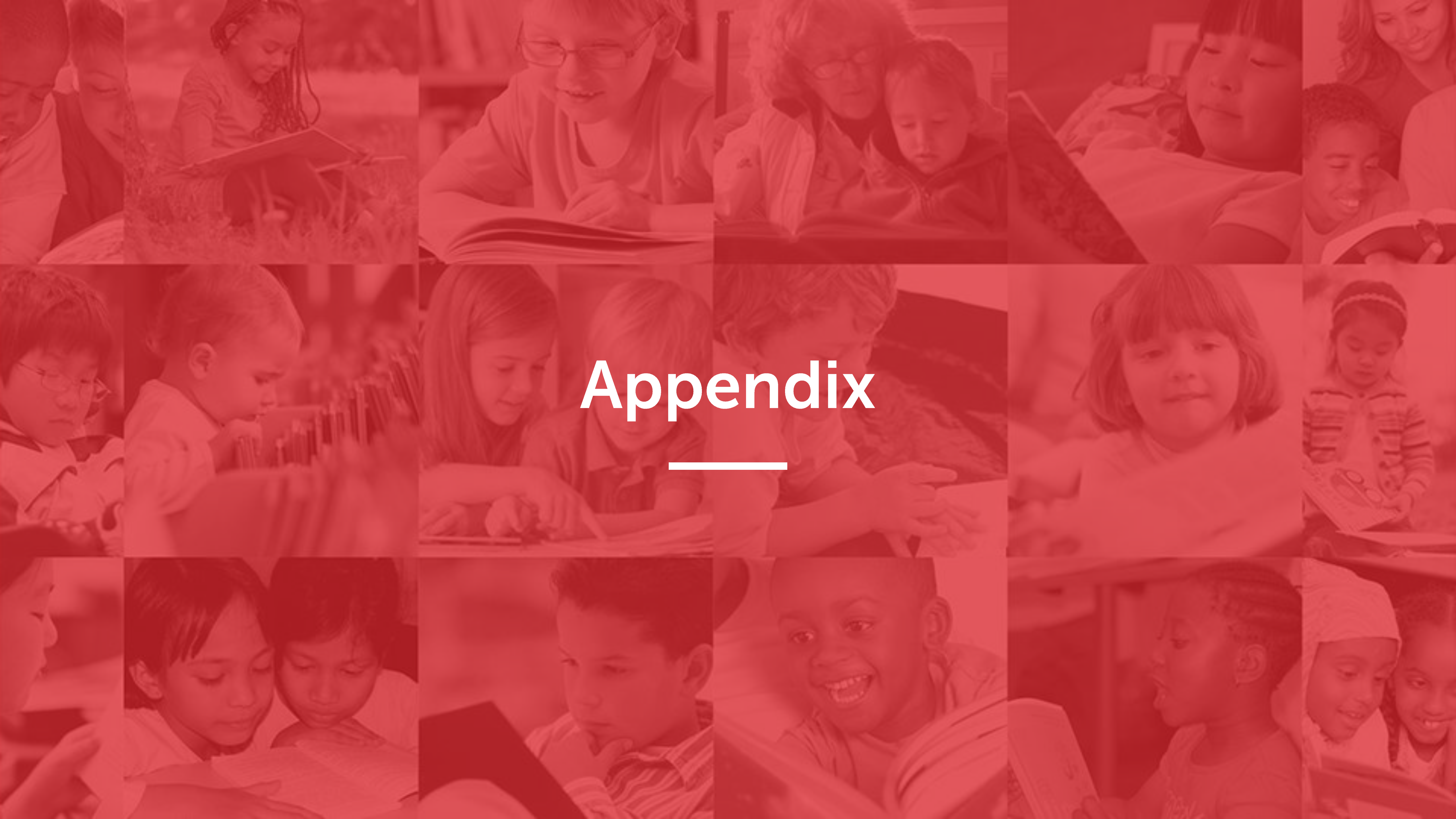
Fiscal 2024 Outlook

- Focus on protecting margins and sustaining growth, while executing on long-term growth and shareholder value creation strategy
- Expect FY24 revenue growth of 3% to 5% and Adjusted EBITDA of $190 million to $200 million, excluding impact of approximately $7 million to $10 million of one-time charges related to restructuring and cost-savings in Q1 and Q2
- Growth and higher operating margins in Children's Books, reflecting implementation of School Reading Events plan and solid front- and backlist sales in Trade
    - Continued growth in Book Fairs on higher fair counts and modest growth in revenue per fair, offset by lower revenues in Book Clubs, as business reduced to profitable core
- Growth in Education Solutions, with continued investments to grow blended literacy solutions impacting operating income
- Growth and lower operating loss in International, driven by continued major markets recovery and Canada reorganization


Peter Warwick
President and Chief Executive Officer

Q&A

Appendix



Q4 FY23 Adjusted EBITDA

In $ Millions	Three Months Ended 05/31/2023	Three Months Ended 05/31/2022	Twelve Months Ended 05/31/2023	Twelve Months Ended 05/31/2022
Earnings (loss) before income taxes as reported	$ 95.6	$ 53.7	$ 112.4	$ 89.7
One-time items before income taxes	—	12.2	—	5.5
Earnings (loss) before income taxes excluding one-time items	95.6	65.9	112.4	95.2
Interest (income) expense	(3.5)	0.2	(5.8)	2.4
Depreciation and amortization[1]	16.3	15.9	64.6	64.9
Amortization of prepublication costs	6.6	6.5	25.1	26.4
Adjusted EBITDA[2]	$ 115.0	$ 88.5	$ 196.3	$ 188.9

1. For the three and twelve months ended May 31, 2023., amounts include depreciation of $0.8 and $3.3, respectively, recognized in cost of goods sold, amortization of deferred financing costs of $0.1 and $0.3, respectively, and amortization of capitalized cloud software of $1.7 and $6.3, respectively, recognized in selling, general and administrative expenses. For the three and twelve months ended May 31, 2022, amounts include depreciation of $0.9 and $3.8, respectively, recognized in cost of goods sold, amortization of deferred financing costs of $0.1 and $0.4, respectively, and amortization of capitalized cloud software of $1.1 and $3.9, respectively, recognized in selling, general and administrative expenses.

2. Adjusted EBITDA is defined by the Company as earnings (loss), excluding one-time items, before interest, taxes, depreciation and amortization. The Company believes that Adjusted EBITDA is a meaningful measure of operating profitability and useful for measuring returns on capital investments over time as it is not distorted by unusual gains, losses, or other items.

Q4 FY23 Earnings (before and after one-time items)

In $ Millions (except per share)

	Fourth Quarter 2023			Fourth Quarter 2022			Fiscal Year to Date 2023			Fiscal Year to Date 2022		
	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items	As Reported	One-Time Items	Excluding One-Time Items
Diluted earnings (loss) per share [1]	$ 2.26	$ —	$ 2.26	$ 1.46	$ 0.26	$ 1.72	$ 2.49	$ —	$ 2.49	$ 2.27	$ 0.12	$ 2.38
Net income (loss) [2]	$ 75.7	$ —	$ 75.7	$ 52.1	$ 9.1	$ 61.2	$ 86.3	$ —	$ 86.3	$ 80.9	$ 4.2	$ 85.1
Earnings (loss) before income taxes [3]	$ 95.6	$ —	$ 95.6	$ 53.7	$ 12.2	$ 65.9	$ 112.4	$ —	$ 112.4	$ 89.7	$ 5.5	$ 95.2
Children's Book Publishing and Distribution	$ 58.4	$ —	$ 58.4	$ 46.8	$ —	$ 46.8	$ 143.4	$ —	$ 143.4	$ 115.3	$ —	$ 115.3
Education Solutions	55.0	—	55.0	45.8	—	45.8	58.4	—	58.4	81.8	—	81.8
International [4]	2.2	—	2.2	1.3	0.6	1.9	(3.6)	—	(3.6)	3.3	1.7	5.0
Overhead [5]	(23.6)	—	(23.6)	(28.4)	0.0	(28.4)	(91.9)	—	(91.9)	(103.0)	(1.6)	(104.6)
Operating income (loss)	$ 92.0	$ —	$ 92.0	$ 65.5	$ 0.6	$ 66.1	$ 106.3	$ —	$ 106.3	$ 97.4	$ 0.1	$ 97.5

1. Earnings (loss) per share are calculated on non-rounded net income (loss) and shares outstanding. Recalculating earnings per share based on rounded numbers may not yield the results as presented.
2. In the three and twelve months ended May 31, 2022, the Company recognized a benefit of $3.1 and $1.3, respectively, for income taxes in respect to one-time pretax items.
3. In the three and the twelve months ended May 31, 2022, the Company recognized pretax loss on assets held for sale related to the Company's plan to exit the direct sales business in Asia of $15.1. The business and related assets were sold in the first quarter of fiscal 2023. In the three and twelve months ended May 31, 2022, the Company recognized pretax gain on the sale of its UK distribution facility located in Witney of $3.5. In the twelve months ended May 31, 2022, the Company recognized pretax gain on the sale of its Lake Mary facility of $6.2.
4. In the three and twelve months ended May 31, 2022, the Company recognized pretax severance of $0.5 and $1.2, respectively, and pretax branch consolidation costs of $0.1 and $0.5, respectively.
5. In the twelve months ended May 31, 2022, the Company recognized pretax insurance proceeds related to an intellectual property legal settlement accrued in fiscal 2021 of $6.6 partly offset by pretax severance and related charges of $5.0.