



 **SCHOLASTIC**

Second Quarter FY 2022 Earnings Call Presentation

Thursday, December 16, 2021

## Forward-Looking Statements

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This presentation contains certain forward-looking statements. Such forward-looking statements are subject to various risks and uncertainties, including those arising from the continuing impact of COVID-19 related measures taken by governmental authorities, school administrators, or suppliers or customers which may curtail or otherwise adversely affect certain of the Company's business operations, and the conditions of the children's book and educational materials markets generally and acceptance of the Company's products in those markets, as well as other risks and factors identified from time to time in the Company's filings with the Securities and Exchange Commission. Actual results could differ materially from those currently anticipated.



## Regulation G

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



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Peter Warwick

President and Chief Executive Officer



## Second Quarter FY 2022

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- It is our deep relationship with schools and parents that has yet again contributed to positive results because of our ability to meet real-time needs and evolve.
- A 29% increase in revenues to \$524.2 million
- Approximately \$30M improvement in operating income.



# Children's Book Publishing & Distribution

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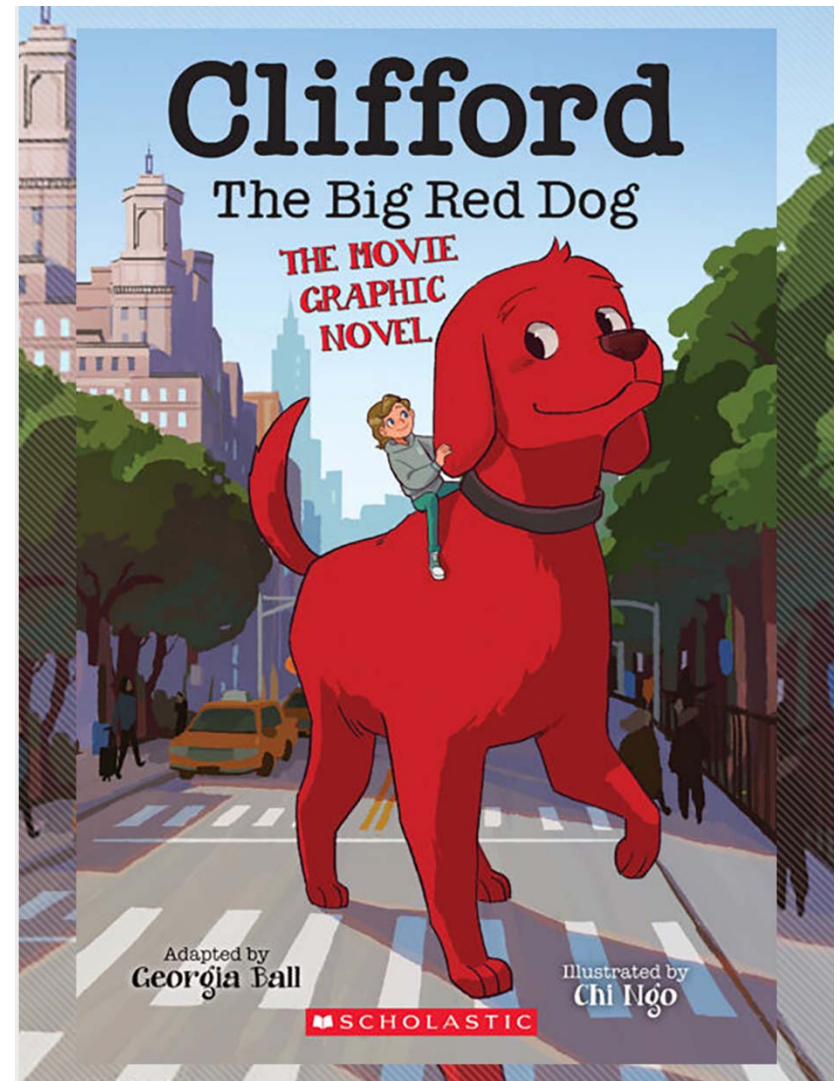
- Our book fairs business is coming back. We have made significant steps in moving beyond the pandemic and towards pre-pandemic levels of bookings.
- We have exceeded our own expectations with higher than anticipated revenue per fair.
- The increase in revenue per fair as well as the demand for Scholastic Book Clubs tells us that our customers agree that getting books in the hands of kids is a priority.
- Clubs experienced increased demand – however is the most affected by industry-wide labor shortages, leading to a backlog of orders we are addressing.



## Children's Book Publishing & Distribution

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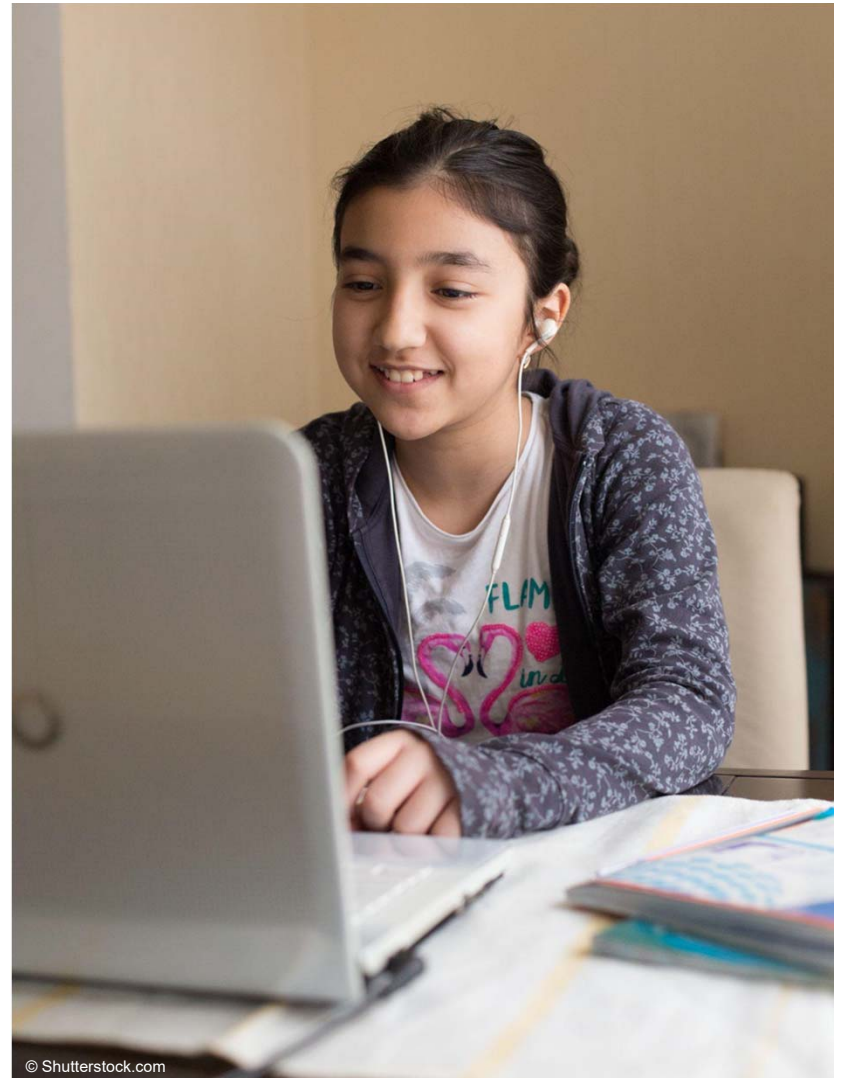
- We closed our quarter with the release of the new graphic novel *Cat Kid Comic Club™: Perspectives*, the second in the new series from Dav Pilkey, and J.K. Rowling's *The Christmas Pig* on best seller lists.
- Many Scholastic titles are on year-end favorite and gift-giving lists. The picture book *Wishes* has been listed on four alone.
- The live-action Clifford the Big Red Dog® movie from Paramount released in theaters and streaming; Paramount has announced a forthcoming sequel.
- Our success re-envisioning how we diversify our IP is exhibited by a 30% increase in Clifford US trade sales since the animated reboot released; and our Clifford movie tie-in graphic novel, is exceeding expectations in sales through our school channels.



## Education Solutions

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- Our new channels of revenue are gaining traction in the market including our curriculum offering *PreK On My Way™* and in digital with *Scholastic Literacy Pro®* and *Scholastic F.I.R.S.T.®*.
- District-wide sales of *Rising Voices Library®* display the need for more diverse content and instruction, and we are eager to continue meeting this need.

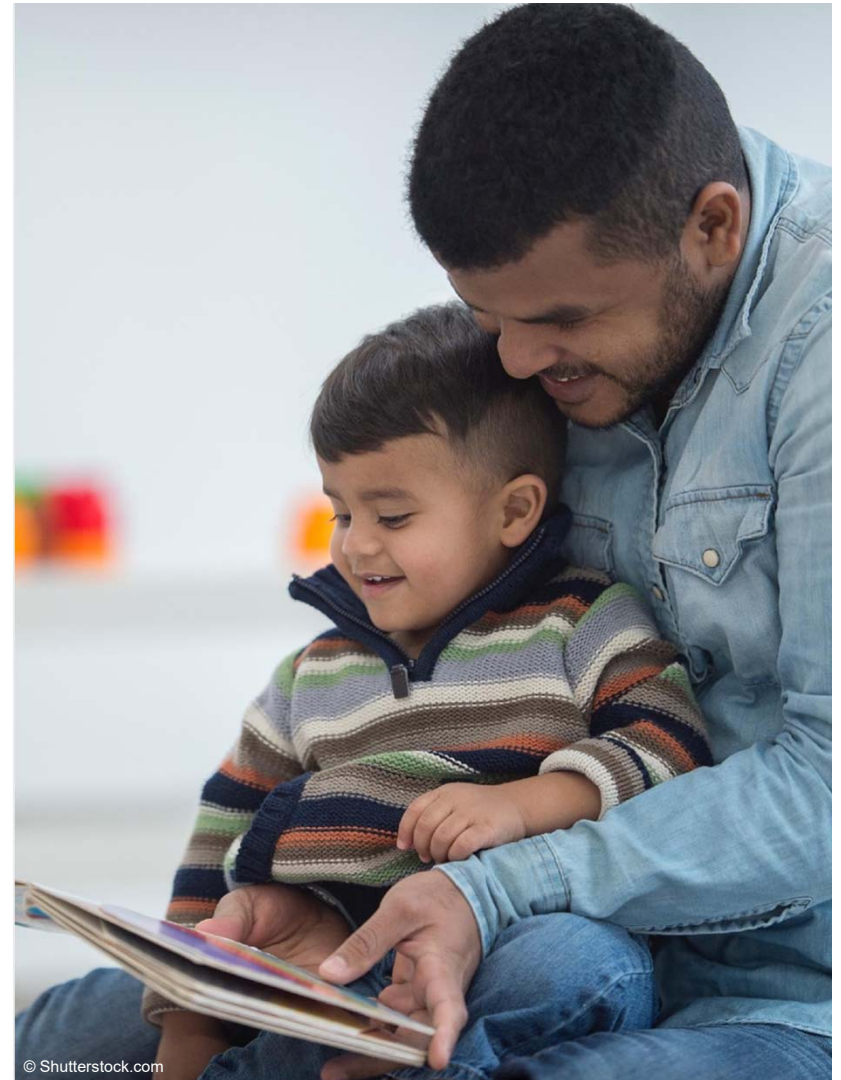




# International

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- In Australia, business is coming back from the most recent surge and we have the inventory on hand needed to meet demand.
- In Asia, disruptions contributed to a decrease in demand and we continue to navigate new regulations in China.



## Fiscal Year 2022 Outlook

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- We will continue to provide high quality fairs while increasing the number of fairs held. We are poised to recover from our operational difficulties in clubs this upcoming spring season.
- In trade, we will release the highly-anticipated *Cat Kid Comic Club™: On Purpose* by Dav Pilkey; *Wings of Fire™: The Flames of Hope* by Tui Sutherland; and our Pre-K brand *Make Believe Ideas™* will continue to widen our appeal.
- The combination of our Education and Magazine divisions has allowed for streamlining of marketing, focused growth on new revenue opportunities and has laid a foundation for future offerings.
- While challenges remain in our International business, we have the talent and content to work through these.
- Scholastic has been awarded as a partner by the University of Florida Lastinger Center for Learning to execute the State of Florida's New Worlds Reading Initiative.
- We welcome Mary Beech as Chief Marketing and Transformation Officer, beginning January 1.



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Kenneth Cleary  
Chief Financial Officer

## Q2 FY22 Earnings (before and after one-time items)

In \$ Millions (except per share)

	Second Quarter 2022			Second Quarter 2021			Fiscal Year to Date 2022			Fiscal Year to Date 2021		
	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 <sup>1</sup>	\$ 1.91	\$ 0.02	\$ 1.93	\$ 1.02	\$ 0.13	\$ 1.15	\$ 1.24	\$ (0.07)	\$ 1.17	\$ (0.14)	\$ 0.39	\$ 0.25
Net income (loss) <sup>2</sup>	\$ 68.3	\$ 0.7	\$ 69.0	\$ 35.1	\$ 4.3	\$ 39.4	\$ 44.1	\$ (2.4)	\$ 41.7	\$ (4.7)	\$ 13.2	\$ 8.5
Children's Book Publishing and Distribution	\$ 85.2	\$ —	\$ 85.2	\$ 35.4	\$ —	\$ 35.4	\$ 63.5	\$ —	\$ 63.5	\$ 6.4	\$ —	\$ 6.4
Education Solutions	15.6	—	15.6	10.3	—	10.3	22.9	—	22.9	7.9	—	7.9
International <sup>3</sup>	8.7	0.3	9.0	17.9	1.6	19.5	7.0	0.7	7.7	22.7	2.6	25.3
Overhead <sup>4</sup>	(26.1)	0.6	(25.5)	(14.8)	3.9	(10.9)	(42.0)	(4.0)	(46.0)	(45.2)	14.9	(30.3)
Operating income (loss)	\$ 83.4	\$ 0.9	\$ 84.3	\$ 48.8	\$ 5.5	\$ 54.3	\$ 51.4	\$ (3.3)	\$ 48.1	\$ (8.2)	\$ 17.5	\$ 9.3

- Earnings (loss) per share are calculated on non-rounded net income (loss) and shares outstanding. Recalculating earnings per share based on rounded numbers may not yield the results as presented.
- In the three and six months ended November 30, 2021, the Company recognized a benefit of \$0.2 and a provision of \$0.9, respectively, for income taxes in respect to one-time pretax items. In the three and six months ended November 30, 2020, the Company recognized a benefit for income taxes in respect to one-time pretax charges of \$1.2 and \$4.3, respectively.
- In the three and six months ended November 30, 2021, the Company recognized pretax severance of \$0.2 and \$0.6, respectively, and branch consolidation costs of \$0.1. In the three and six months ended November 30, 2020, the Company recognized pretax severance of \$1.3 and \$2.3, respectively, and branch consolidation costs of \$0.3.
- In the three and six months ended November 30, 2021, the Company recognized pretax severance of \$0.6 and \$2.6, respectively. In the six months ended November 30, 2021, the Company recognized \$6.6 of insurance proceeds related to an intellectual property legal settlement accrued in fiscal 2021. In the three and six months ended November 30, 2020, the Company recognized pretax severance of \$3.9 and \$14.9, respectively.



## Q2 FY22 Adjusted EBITDA

In \$ Millions	Three Months Ended		Six Months Ended	
	11/30/2021	11/30/2020	11/30/2021	11/30/2020
Earnings (loss) before income taxes as reported	\$ 89.1	\$ 47.6	\$ 55.8	\$ (4.2)
One-time items before income taxes	0.9	5.5	(3.3)	17.5
Earnings (loss) before income taxes excluding one-time items	90.0	53.1	52.5	13.3
Interest (income) expense	0.5	1.2	1.8	2.4
Depreciation and amortization <sup>1</sup>	16.5	17.0	32.9	33.4
Amortization of prepublication costs	6.7	6.4	13.5	12.7
Adjusted EBITDA <sup>2</sup>	\$ 113.7	\$ 77.7	\$ 100.7	\$ 61.8

- For the three and six months ended November 30, 2021, amounts include depreciation of \$1.0 and \$1.9, respectively, recognized in cost of goods sold, amortization of deferred financing costs of \$0.2 and \$0.3, respectively, and amortization of capitalized cloud software of \$0.8 and \$1.3, respectively, recognized in selling, general and administrative expenses. For the three and six months ended November 30, 2020, amounts include depreciation of \$0.8 and \$1.6, respectively, recognized in cost of goods sold, amortization of deferred financing costs of \$0.1 and \$0.2, respectively, and amortization of capitalized cloud software of \$0.3 and \$0.3, respectively, recognized in selling, general and administrative expenses.
- Adjusted EBITDA is defined by the Company as earnings (loss), excluding one-time items, before interest, taxes, depreciation and amortization. The Company believes that Adjusted EBITDA is a meaningful measure of operating profitability and useful for measuring returns on capital investments over time as it is not distorted by unusual gains, losses, or other items.

## Q2 FY22 Balance Sheet Items and Cash Flow

In \$ Millions	Nov 30, 2021	Nov 30, 2020
Free cash flow (use) (3 month period ending) <sup>1</sup>	\$ 75.4	\$ 30.9
Free cash flow (use) (6 month period ending) <sup>1</sup>	\$ 124.5	\$ (4.0)
Accounts receivable, net	\$ 370.5	\$ 304.7
Inventories, net	\$ 279.3	\$ 306.5
Accounts payable	\$ 180.5	\$ 165.5
Accrued royalties	\$ 63.6	\$ 60.1
Total debt	\$ 14.3	\$ 194.8
Cash and cash equivalents	\$ 300.7	\$ 356.6
Net debt (cash) <sup>2</sup>	\$ (286.4)	\$ (161.8)

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



## Q2 FY22 Revenues

In \$ Millions	Three Months Ended				Six Months Ended			
	11/30/2021	11/30/2020	Change		11/30/2021	11/30/2020	Change	
Book Clubs	\$ 51.9	\$ 67.0	\$ (15.1)	(23)%	\$ 58.7	\$ 72.8	\$ (14.1)	(19)%
Book Fairs	176.2	47.7	128.5	NM	192.2	60.9	131.3	NM
Consolidated Trade	124.4	129.3	(4.9)	(4)%	217.4	202.6	14.8	7 %
Total Children's Book Publishing and Distribution	352.5	244.0	108.5	44 %	468.3	336.3	132.0	39 %
Education Solutions	79.5	67.5	12.0	18 %	159.6	121.1	38.5	32 %
International	92.2	94.7	(2.5)	(3)%	156.1	164.0	(7.9)	(5)%
Total Revenues	\$ 524.2	\$ 406.2	\$ 118.0	29 %	\$ 784.0	\$ 621.4	\$ 162.6	26 %

# Questions

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For any questions, please contact Scholastic Investor Relations:  
[Investor\\_Relations@Scholastic.com](mailto:Investor_Relations@Scholastic.com)



The Scholastic logo is centered on a light gray rectangular background. It consists of a white icon of an open book on the left, followed by the word "SCHOLASTIC" in a white, uppercase, serif font on a red rectangular background.

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