

FISCAL 2014 SECOND QUARTER EARNINGS PRESENTATION

December 19, 2013



Forward-Looking Statements

This presentation contains certain forward-looking statements, which are subject to various risks and uncertainties, including the conditions of the children's book and educational materials markets and acceptance of the Company's products in those markets and other risks and factors identified from time to time in the Company's filings with the Securities and Exchange Commission. Actual results could differ materially from those currently anticipated.



Regulation G

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



Dick Robinson

Chief Executive Officer, President
and Chairman



2nd Quarter 2014 Highlights

- Children's Book operating profit up **+19%** in quarter, excluding one-time non-cash charge for legacy acquisition goodwill.
- Educational Technology and Services revenue and operating profit up **+17%** and **+30%**, respectively, on higher sales of *SYSTEM 44[®] Next Gen*, *MATH 180[™]*, *Common Core Code X[™]*, and *iRead[™]*.
- Classroom and Supplemental Materials revenue up **+11%** and operating profit up **+45%** on strong sales of classroom books and higher circulation in classroom magazines.
- International performance driven by **+19%** growth in Asia (local currency), offset by unfavorable foreign exchange impact.
- Agreement to purchase headquarters building in NYC for **\$255 million**.



Children's Books – Fairs and Clubs

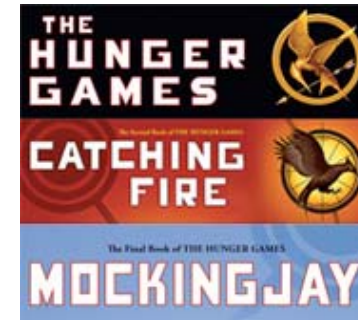
- New collaborative marketing, sales, and publishing efforts in book clubs and fairs school channels enhancing operating efficiency and ability to serve our customers.
- School book fairs benefited from higher revenue per fair in the quarter.
- Efforts to target promotions carefully and reduce costs overall drove improved margins in school book clubs.
- Investment in the Storia eReading app and ebook system has tapered as planned; with revenue growing in line with the children's ebook market as a whole.





Children's Books – Trade

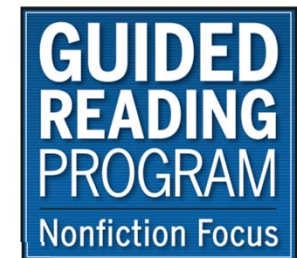
- Strong sales of The Hunger Games trilogy around the *Catching Fire* film premiere in November.
- Scholastic ebook titles now available on Apple iBooks – Scholastic's Hunger Games titles were nos. 1, 4, 7, and 11 in the top paid books ranking at quarter-end.
- Multi-platform SPIRIT ANIMALS™, launched this quarter, was top selling book at school book fairs this fall.
- Trade paperback editions of the Harry Potter series with new cover art continue to perform well.





Education – Broader & More Encompassing Solutions

- Our Education teams are now operating as a unified organization, giving us a better position to capitalize on the increasing opportunities available.
- Each field service rep will offer a wider array of products and services tailored to individual school and district needs.
- Full suite of Ed Tech products, including *READ 180™*, *SYSTEM 44®*, *MATH 180™*, *Common Core Code X™* and *iRead™*, along with guided reading programs and classroom book collections, classroom magazines, and a range of professional development and related services.





Classroom Magazines Circulation Hits 12.6 Million

- Setting a new standard in Common Core learning
- Current non-fiction for kids in print and on-line

“I was at wits end trying to find appropriate material for Common Core sixth grade. . . there is informational text, poetry, compare and contrast, paired stories, theme, infographic, biography, critical thinking, video for visualizing. . . and to top it all, stories that the children enjoy.” – Sixth Grade Teacher, Bronx NY

“Probably the most Common Core aligned thing I have in my classroom.” – First Grade Teacher, Portland IN

“My students love getting each issue, and they really enjoy the online resources – games, videos, digital magazine.” – Middle School Teacher, Gilbert IA





Maureen O'Connell

Executive Vice President,
Chief Administrative Officer and Chief Financial Officer



Income Statement – Adjusted Earnings Per Share

In \$ Millions (except per share)	Second Quarter 2014			Second Quarter 2013	Fiscal Year to Date 2014			Fiscal Year to Date 2013
	As	One-Time	Excluding	As	As	One-Time	Excluding	As
	Reported	Items	One-Time Items	Reported	Reported	Items	One-Time Items	Reported
Revenues	\$623.2		\$623.2	\$613.5	\$899.5		\$899.5	\$906.9
Cost of goods sold	264.8		264.8	262.0	402.7		402.7	412.8
Selling, general and administrative expenses ¹	231.9	(5.5)	226.4	228.8	398.9	(7.5)	391.4	401.8
Bad debt expense	2.5		2.5	4.0	3.9		3.9	4.5
Depreciation and amortization	15.9		15.9	16.7	31.8		31.8	32.8
Asset impairments ²	13.4	(13.4)	-	-	13.4	(13.4)	-	-
Total operating costs and expenses	528.5	(18.9)	509.6	511.5	850.7	(20.9)	829.8	851.9
Operating income (loss) from continuing operations	\$94.7	\$18.9	\$113.6	\$102.0	\$48.8	\$20.9	\$69.7	\$55.0
Interest expense, net	2.1		2.1	3.7	4.0		4.0	7.4
Provision (benefit) for income taxes	34.3	7.7	42.0	35.7	16.6	8.4	25.0	16.7
Earnings (loss) from continuing operations	\$58.3	\$11.2	\$69.5	\$62.6	\$28.2	\$12.5	\$40.7	\$30.9
Earnings (loss) from discontinued operations, net of tax	0.0		0.0	(0.8)	0.2		0.2	(1.2)
Net Income (loss)	\$58.3	\$11.2	\$69.5	\$61.8	\$28.4	\$12.5	\$40.9	\$29.7
Earnings (loss) per diluted share from continuing operations	1.80	0.35	2.15	1.91	0.87	0.39	1.26	0.95
Earnings (loss) per share from discontinued operations, net of tax	0.00		0.00	(0.02)	0.01		0.01	(0.04)
Earnings (loss) per diluted share	1.80	0.35	2.15	1.89	0.88	0.39	1.27	0.91

1. In the three and six months ended November 30, 2013, the Company recorded pretax severance charges of \$5.5 and \$7.5, respectively, related to the Company's cost savings initiatives.

2. In the three and six months ended November 30, 2013, the Company recorded a pretax goodwill impairment charge of \$13.4 in the Children's Book Publishing and Distribution segment.



Segment Results – Adjusted for One-Time Items

In \$ Millions	Second Quarter 2014			Second Quarter 2013	Fiscal Year to Date 2014			Fiscal Year to Date 2013
	As Reported	One-Time Items	Excluding One-Time Items	As Reported	As Reported	One-Time Items	Excluding One-Time Items	As Reported
Children's Book Publishing and Distribution								
Revenue								
Book Clubs	\$97.4		\$97.4	\$100.1	\$103.6		\$103.6	\$107.5
Book Fairs	202.2		202.2	196.1	212.9		212.9	206.6
Consolidated Trade	52.5		52.5	51.2	90.2		90.2	104.2
Total revenue	352.1		352.1	347.4	406.7		406.7	418.3
Operating income (loss) ¹	68.9	13.4	82.3	69.4	7.4	13.4	20.8	14.5
Operating margin	19.6%		23.4%	20.0%	1.8%		5.1%	3.5%
Educational Technology and Services								
Revenue	60.9		60.9	52.2	155.7		155.7	132.2
Operating income (loss)	6.9		6.9	5.3	43.1		43.1	30.1
Operating margin	11.3%		11.3%	10.2%	27.7%		27.7%	22.8%
Classroom and Supplemental Materials Publishing								
Revenue	59.1		59.1	53.2	96.9		96.9	91.1
Operating income (loss)	10.7		10.7	7.4	9.1		9.1	4.8
Operating margin	18.1%		18.1%	13.9%	9.4%		9.4%	5.3%
International								
Revenue	135.6		135.6	143.7	214.3		214.3	233.9
Operating income (loss) ²	22.2		22.2	24.7	21.5	0.6	22.1	27.5
Operating margin	16.4%		16.4%	17.2%	10.0%		10.3%	11.8%
Media, Licensing and Advertising								
Revenue	15.5		15.5	17.0	25.9		25.9	31.4
Operating income (loss)	(0.4)		(0.4)	2.0	(2.3)		(2.3)	2.2
Operating margin	-		-	11.8%	-		-	7.0%
Overhead expense ³	13.6	(5.5)	8.1	6.8	30.0	(6.9)	23.1	24.1
Operating income (loss) from continuing operations	\$94.7	\$18.9	\$113.6	\$102.0	\$48.8	\$20.9	\$69.7	\$55.0

1. In the three and six months ended November 30, 2013, the Company recorded a pretax goodwill impairment charge of \$13.4 in the Children's Book Publishing and Distribution segment.
2. For the six months ended November 30, 2013, the Company recorded a pretax severance charge in its International segment of \$0.6 related to the Company's cost savings initiatives.
3. For the three and six months ended November 30, 2013, the Company recorded pretax severance charges of \$5.5 and \$6.9, respectively, in Corporate Overhead related to the Company's cost savings initiatives.



Free Cash Flow and Balance Sheet

In \$ Millions	Nov 30, 2013	Nov 30, 2012
Free cash flow (6 month period ending) ¹	\$35.6	\$64.4
Accounts receivable, net	\$286.4	\$272.9
Inventories, net	\$342.3	\$356.4
Accounts payable	\$196.0	\$208.1
Accrued royalties	\$41.8	\$52.7
Total debt	\$9.6	\$153.6
Cash and cash equivalents	117.2	257.3
Net debt ²	(\$107.6)	(\$103.7)

1. Free cash flow (use) is defined by the Company as net cash provided by or used in operating activities (which includes royalty advances), reduced by spending on property, plant and equipment and pre-publication and production costs.
2. Net debt is defined by the Company as lines of credit and short-term debt plus long-term-debt, net of cash and cash equivalents.



555 Broadway Headquarters Purchase

- \$255 million purchase price with transaction expected to close prior to the end of the current fiscal year.
- Will convert a long-term lease obligation into an owned asset with annual depreciation (non-cash); free cash flow savings of \$60+ million over 10 years.
- Expect to finance purchase with cash-on-hand and borrowings under the Company's committed credit facility.
- Net debt, including capital leases, is expected to increase by \approx \$100 million, yet interest expense will decline as the interest portion of the current annual payment is higher than the projected cost of new bank debt.
- Unique property, especially given the broad footprint of the combined buildings and the strong value of the space which could be optimized for retail – no other comparable property in the SoHo area.
- There are various scenarios under which the Company has ample opportunity to monetize its ownership of 555 and 557 Broadway.





FY 2014 Outlook:

Affirmed Guidance & Expectations for Profitable Revenue Growth

Revenue	≈ \$1.8 billion
Earnings from Continuing Operations ¹	\$1.40 - \$1.80 per diluted share
Free Cash Flow	\$60 - \$80 million
Capital Expenditures	\$55 - \$65 million
Prepublication/Production Spending	\$65 - \$75 million

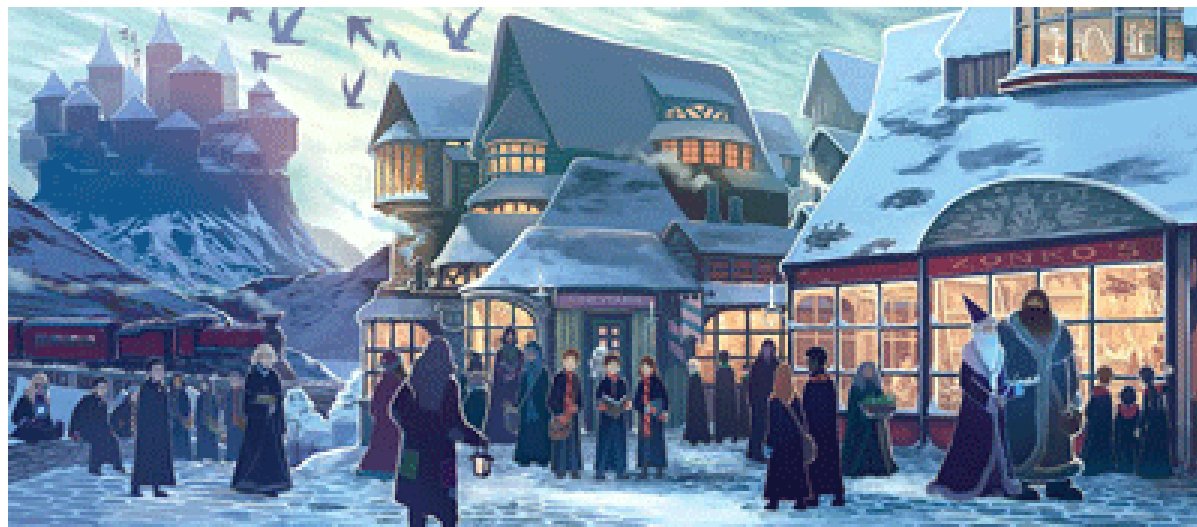
1. Outlook for EPS and operating income **excludes** severance and other one-time items associated with restructuring actions, as well as non-cash, non-operating items.



Questions & Answers

Participants

- Richard Robinson
- Maureen O'Connell
- Margery Mayer, Educational Technology & Services
- Judy Newman, School Book Clubs and E-Commerce
- Ellie Berger, Trade



Have an Extraordinary Holiday Season