



SCHOLASTIC

Fiscal 2010 First Quarter Earnings Presentation  
September 24, 2009



## Forward-Looking Statements

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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.



## Dick Robinson

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Chief Executive Officer, President  
and Chairman



## Educational Publishing

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- Record sales and \$20M increase in operating income in seasonally most important quarter
- Over \$35M / 50% increase in sales of educational technology
  - Strong execution, new products and adoptions, arrival of Federal stimulus funds in local districts
- Paperback collections and classroom libraries flat
  - Sales to libraries modestly down



## Children's Books

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- Multiple bestsellers in Trade
  - *Harry Potter and the Deathly Hallows* paperback (July 7)
  - The 39 Clues® book five, and prior titles
  - *The Hunger Games* and *Catching Fire* by Suzanne Collins
- Clubs and Fairs positioned for modest growth and improved margins
  - Pricing increases in select product areas; more use of Scholastic product
  - Increased parent ordering online in Clubs
  - Improved incentives; move to hub-and-spoke in Fairs
  - Late Labor Day / start of schools will modestly impact timing



## Maureen O'Connell

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Executive Vice President,  
Chief Administrative Officer and  
Chief Financial Officer



## Cost Savings and Overheads

- Lower salary expense following last year's reductions
- Completed consolidation of Fair regions from 14 to 7
- Consolidated IT and e-commerce operations
- Lower spending on outside services, travel and entertainment



## Reclassified Segment Results (FY09)

<b>\$M</b>	<b>1Q09</b>	<b>2Q09</b>	<b>3Q09</b>	<b>4Q09</b>	<b>FY09</b>
<b>Children's Book Publishing and Distribution</b>					
Revenue					
Book Clubs	8.8	160.4	92.1	79.6	340.9
Book Fairs	12.6	180.5	78.4	144.3	415.8
Trade <sup>1</sup>	39.7	52.0	58.2	33.8	183.7
Total revenue	61.1	392.9	228.7	257.7	940.4
Operating income (loss)	(54.6)	105.1	15.1	36.2	101.8
<b>Media, Licensing and Advertising</b>					
Revenue	16.1	47.6	33.0	29.6	126.3
Operating income (loss)	(4.8)	4.1	(1.0)	2.0	0.3

<sup>1</sup>Trade sales in the Children's Book Publishing and Distribution segment were not impacted by reclassification, nor were consolidated revenue and profit, or segment results for Educational Publishing, International or Corporate Overhead.





## Reclassified Segment Results (FY08)

<b>\$M</b>	<b>1Q08</b>	<b>2Q08</b>	<b>3Q08</b>	<b>4Q08</b>	<b>FY08</b>
Children's Book Publishing and Distribution					
Revenue					
Book Clubs	10.1	159.9	96.0	80.5	346.5
Book Fairs	10.6	180.8	80.8	149.8	422.0
Trade <sup>1</sup>	275.8	57.0	46.6	39.6	419.0
Total revenue	296.5	397.7	223.4	269.9	1,187.5
Operating income	14.0	117.2	16.8	37.1	185.1
Media, Licensing and Advertising					
Revenue	12.9	40.2	33.9	29.1	116.1
Operating income (loss)	(6.0)	2.6	(1.0)	2.1	(2.3)

<sup>1</sup>Trade sales in the Children's Book Publishing and Distribution segment were not impacted by reclassification, nor were consolidated revenue and profit, or segment results for Educational Publishing, International or Corporate Overhead.



# Income Statement

<b>\$M (except per share)</b>	<b>1Q10</b>	<b>1Q09</b>
Revenue	\$315.6	\$276.4
Cost of goods sold	156.1	146.0
Selling, general and administrative expenses	178.0	175.9
Bad debt expense	2.1	1.1
Depreciation and amortization	14.7	15.7
Total operating costs and expenses	350.9	338.7
Operating income (loss) from continuing operations	(35.3)	(62.3)
Other income	0.9	–
Interest expense, net	3.9	5.9
Provision (benefit) for income taxes	(13.7)	(25.3)
Profit (loss) from continuing operations	(24.6)	(42.9)
Profit (loss) from discontinued operations, net of tax	1.6	(6.2)
Net (loss) income	(\$23.0)	(\$49.1)
Earnings (loss) per diluted share from continuing operations	(0.68)	(1.13)
Earnings (loss) per diluted share from discontinued operations	0.05	(0.17)
Net earnings (loss) per diluted share	(0.63)	(1.30)



## Free Cash Flow and Balance Sheet

(\$M)	Aug 31, 2009	Aug 31, 2008
Free cash flow (3 month period) <sup>1</sup>	(\$77.5)	(\$162.7)
Accounts receivable, net	228.0	180.4
Inventories	435.0	471.0
Accounts payable	167.2	134.2
5% Notes Payable (2013)	152.1	159.3
\$200M Amortizing Term-Loan (2012)	125.1	167.9
\$325M credit agreement (2012)	0.0	40.0
Credit line advances	13.4	63.0
Total debt	290.6	430.2
Cash and cash equivalents	54.2	29.5
Net debt <sup>2</sup>	\$236.4	\$400.7

<sup>1</sup>Free cash flow 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.

<sup>2</sup>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.



## Outlook

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- Affirming FY10 outlook for continuing operations:

<b>Revenue</b>	<b>\$1.8 to \$1.9 billion</b>
<b>Earnings per diluted share<sup>1</sup></b>	<b>\$1.80 to \$2.30</b>
<b>Free cash flow</b>	<b>\$90 to \$120 million</b>

<sup>1</sup>Excludes severance and other one-time cash and non-cash expenses associated with anticipated cost reductions.



## Questions & Answers

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### **Participants**

- Richard Robinson
- Maureen O'Connell
- Ellie Berger, Scholastic Trade Publishing
- Deborah Forte, Scholastic Media
- Margery Mayer, Scholastic Education
- Judy Newman, Scholastic Book Clubs
- Hugh Roome, Scholastic International