



Third Quarter 2025 Earnings Call Presentation

Thursday, March 20, 2025

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

Third Quarter 2025 Highlights

- Modest revenue growth in Q3, reflecting strong performance in Children's Books segment and addition of 9 Story Media Group, and improved operating results
- Returned over \$35 million to shareholders in quarter through share repurchases and dividend
- Strong balance sheet with options, including through owned real estate assets, to unlock liquidity for debt reduction and shareholder returns
- Refined FY25 guidance, as Company navigates increasing spending pressures in Q3, expected to continue into Q4
 - Adjusted EBITDA near \$140 million and revenue up modestly year-over-year
 - Executed cost savings actions benefiting FY25 and FY26

Third Quarter 2025 Segment Highlights

- Children's Books revenues up 5%, reflecting improved results in Book Fairs and Book Clubs
 - Book Fairs on track to achieve target of 90,000 fairs in FY25
 - Updated offerings in Book Clubs drove higher participation and order volumes
 - Newly published titles topped global best seller lists, driven by strong sales from Dog Man[®] children's franchise, offsetting lower backlist sales
- Entertainment contributed positively to revenues and EBITDA, with contribution of 9 Story Media Group
 - Expanded reach and monetization of Scholastic IP on streaming platforms
 - Accelerating production and development work for YouTube[®]
- Education Solutions revenues down 16%, reflecting lower spending on supplemental curriculum products
 - New supplemental literacy programs expected in market in FY26
 - Began strategic review of business, optimizing for long-term potential
- International revenues increased 5% excluding FX impact, reflecting strong global sales of Dog Man[®] and new education adoption in New Zealand





Haji Glover

Chief Financial Officer and Executive Vice President

Third Quarter Results

| In \$ Millions (except per share data) | Third Quarter | | Change | |
|---|---------------|-------------|---------|-------|
| | Fiscal 2025 | Fiscal 2024 | | |
| Revenues | \$ 335.4 | \$ 323.7 | \$ 11.7 | 4 % |
| Operating income (loss) | \$ (23.9) | \$ (34.9) | \$ 11.0 | 32 % |
| Earnings (loss) before taxes | \$ (28.4) | \$ (34.6) | \$ 6.2 | 18 % |
| Diluted earnings (loss) per share | \$ (0.13) | \$ (0.91) | \$ 0.78 | 86 % |
| Operating income (loss), ex. one-time items | \$ (20.9) | \$ (30.6) | \$ 9.7 | 32 % |
| Diluted earnings (loss) per share, ex. one-time items | \$ (0.05) | \$ (0.80) | \$ 0.75 | 94 % |
| Adjusted EBITDA ⁽¹⁾ | \$ 6.0 | \$ (7.2) | \$ 13.2 | 183 % |

- 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.

Third Quarter Segment Results (excluding one-time items)

| In \$ Millions | Third Quarter | | Change |
|---|------------------|------------------|-------------|
| | Fiscal 2025 | Fiscal 2024 | |
| Children's Book Publishing and Distribution ⁽¹⁾ | | | |
| School Reading Events | \$ 125.9 | \$ 116.0 | 9 % |
| Consolidated Trade | 77.4 | 77.1 | 0 % |
| Total Revenues | 203.3 | 193.1 | 5 % |
| Operating income (loss) | 7.6 | 2.8 | 171 % |
| Education Solutions | | | |
| Revenues | 57.2 | 68.5 | (16) % |
| Operating income (loss) | (6.9) | (0.8) | NM |
| Entertainment ⁽¹⁾ | | | |
| Revenues | 12.8 | 0.5 | NM |
| Operating income (loss) | (2.4) | (0.1) | NM |
| International | | | |
| Revenues | 59.3 | 59.1 | 0 % |
| Operating income (loss) | (2.0) | (5.9) | 66 % |
| Overhead | | | |
| Revenues | 2.8 | 2.5 | 12 % |
| Operating income (loss) | (17.2) | (26.6) | 35 % |
| Operating income (loss) | \$ (20.9) | \$ (30.6) | 32 % |

NM - Not meaningful

- The newly formed Entertainment segment includes the operations of Scholastic Entertainment Inc. (SEI), which were included in the Children's Book Publishing and Distribution segment in prior periods, and 9 Story Media Group. The financial results for SEI for the three months ended February 29, 2024 have been reclassified to Entertainment to reflect this change.

Third Quarter Balance Sheet and Cash Flow Results

| In \$ Millions | February 28, 2025 | February 29, 2024 |
|---|-------------------|-------------------|
| Free cash flow (use) (3 month period ending) ⁽¹⁾ | \$ (30.7) | \$ (7.1) |
| Accounts receivable, net | \$ 255.9 | \$ 253.0 |
| Inventories, net | 270.8 | 282.5 |
| Accounts payable | 133.5 | 126.1 |
| Deferred revenue | 205.2 | 193.8 |
| Accrued royalties | 85.1 | 75.1 |
| Film related obligations | 18.8 | — |
| Lines of credit and long-term debt | 280.8 | 31.5 |
| Cash and cash equivalents | 94.7 | 110.4 |
| Net cash (debt) ⁽²⁾ | (189.4) | 78.9 |

- 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 the sale of assets, reduced by spending on property, plant and equipment and prepublication costs and adjusted for net cash flows from film related obligations. 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.
- Net cash (debt) is defined by the Company as cash and cash equivalents less production cash of \$3.3 as of February 28, 2025, net of lines of credit and short-term and long-term debt. Film related obligations are not included. 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 2025 Outlook

- Refined FY25 outlook
 - Adjusted EBITDA of approximately \$140 million, from \$140 million to \$150 million previously
 - Modest revenue growth year-over-year, compared to prior guidance of 4% to 6%
- Free cash flow outlook remains between \$20 to \$30 million
 - Reflecting growth investments, larger than usual working capital needs
- Executed cost savings initiatives in Q3, plus additional cost actions in Q4, expected to benefit FY25 and FY26
- Minimal tariff impact expected in FY25, with modest FY26 impact being monitored and managed closely



Peter Warwick

President and Chief Executive Officer



Q&A



Appendix

Third Quarter Adjusted EBITDA

| In \$ Millions | Third Quarter | |
|--|---------------|-----------------|
| | Fiscal 2025 | Fiscal 2024 |
| Earnings (loss) before income taxes as reported | \$ (28.4) | \$ (34.6) |
| One-time items before income taxes | 3.0 | 4.3 |
| Earnings (loss) before income taxes excluding one-time items | <u>(25.4)</u> | <u>(30.3)</u> |
| Interest (income) expense ⁽¹⁾ | 4.3 | (0.6) |
| Depreciation and amortization | <u>27.1</u> | <u>23.7</u> |
| Adjusted EBITDA ⁽²⁾ | <u>\$ 6.0</u> | <u>\$ (7.2)</u> |

1. For the three months ended February 28, 2025, the amount includes production loan interest amortized into cost of goods sold.
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.

Third Quarter Earnings (before and after one-time items)

| In \$ Millions (except per share data) | Third Quarter Fiscal 2025 | | | Third Quarter Fiscal 2024 | | |
|--|---------------------------|----------------|--------------------------|---------------------------|----------------|--------------------------|
| | As Reported | One-Time Items | Excluding One-Time Items | As Reported | One-Time Items | Excluding One-Time Items |
| Diluted earnings (loss) per share ⁽¹⁾ | \$ (0.13) | \$ 0.08 | \$ (0.05) | \$ (0.91) | \$ 0.11 | \$ (0.80) |
| Net income (loss) ⁽²⁾ | \$ (3.6) | \$ 2.3 | \$ (1.3) | \$ (26.5) | \$ 3.2 | \$ (23.3) |
| Earnings (loss) before income taxes | \$ (28.4) | \$ 3.0 | \$ (25.4) | \$ (34.6) | \$ 4.3 | \$ (30.3) |
| Children's Book Publishing and Distribution ^{(3) (4)} | \$ 7.6 | \$ — | \$ 7.6 | \$ 2.3 | \$ 0.5 | \$ 2.8 |
| Education Solutions | (6.9) | — | (6.9) | (0.8) | — | (0.8) |
| Entertainment ^{(3) (5)} | (3.9) | 1.5 | (2.4) | (3.1) | 3.0 | (0.1) |
| International ⁽⁶⁾ | (2.1) | 0.1 | (2.0) | (5.9) | — | (5.9) |
| Overhead ⁽⁷⁾ | (18.6) | 1.4 | (17.2) | (27.4) | 0.8 | (26.6) |
| Operating income (loss) | \$ (23.9) | \$ 3.0 | \$ (20.9) | \$ (34.9) | \$ 4.3 | \$ (30.6) |

- 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 months ended February 28, 2025 and February 29, 2024, the Company recognized a benefit of \$0.7 and \$1.1, respectively, for income taxes in respect to one-time pretax items.
- The newly formed Entertainment segment includes the operations of Scholastic Entertainment Inc. (SEI), which were included in the Children's Book Publishing and Distribution segment in prior periods, and 9 Story Media Group. The financial results for SEI for the three months ended February 29, 2024 have been reclassified to Entertainment to reflect this change.
- In the three months ended February 29, 2024, the Company recognized pretax asset impairment of \$0.5 related to an early exit of a sales office lease.
- In the three months ended February 28, 2025, the Company recognized pretax severance of \$0.7 related to cost-savings initiatives, pretax costs of \$0.5 related to the acquisition of 9 Story Media Group and pretax asset impairment of \$0.3 related to an early exit of an office lease. In the three months ended February 29, 2024, the Company recognized pretax costs associated with its planned investment in 9 Story Media Group of \$3.0.
- In the three months ended February 28, 2025, the Company recognized pretax severance of \$0.1 related to cost-savings initiatives.
- In the three months ended February 28, 2025, the Company recognized pretax severance of \$1.0 related to cost-savings initiatives and other pretax expenses of \$0.4. In the three months ended February 29, 2024, the Company recognized pretax severance of \$0.8 related to restructuring and cost-savings initiatives.

