



FISCAL 2013 FIRST  
QUARTER EARNINGS  
PRESENTATION  
September 20, 2012





## 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.



## 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 earning release, which is posted on the Company's investor relations website at [investor.scholastic.com](http://investor.scholastic.com).



## Dick Robinson

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Chief Executive Officer, President  
and Chairman



## Children's Books

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- The Hunger Games holding level with a year ago, continuing to grow abroad and in audio
- Successful releases for new and established series, including Infinity Ring, Captain Underpants
- Targeting increased promotion in School Book Clubs to drive profit growth
- Positive outlook for fair count and revenue per fair in School Book Fairs



## Storia™ Ereader App and System

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- Prepared to launch Storia children's ereading app and ebook system through Clubs and Fairs this fall
- Opportunity to distribute ebooks and classroom materials, leveraging Scholastic's unique relationship with teachers and access to parents and children
- Focus on creating engaging ereading experience for children, while helping teachers and parents support their students' and children's ereading





## Education

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- Challenging prior year comparisons, related to new products and significant RIF contracts
- Concerns about federal budget cuts and Common Core causing districts to delay product purchases
- Strong sales of support for installed base and consulting related to Common Core
- Continued to move forward with growth investments, including major Common Core-aligned math and reading programs



## Maureen O'Connell

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Executive Vice President,  
Chief Administrative Officer and  
Chief Financial Officer



# Income Statement

\$M (except per share)	First Quarter	
	2013	2012
Revenues	\$293.6	\$318.0
Cost of goods sold	151.1	160.4
Selling, general and administrative expenses <sup>1</sup>	173.4	174.3
Bad debt expense	0.5	1.4
Depreciation and amortization	16.1	15.1
Total operating costs and expenses	341.1	351.2
Operating income (loss) from continuing operations	(\$47.5)	(\$33.2)
Interest expense, net	3.7	3.9
Provision (benefit) for income taxes	(19.2)	(12.0)
Earnings (loss) from continuing operations	(\$32.0)	(\$25.1)
Loss from discontinued operations, net of tax	(0.1)	(2.0)
Net Income (loss)	(\$32.1)	(\$27.1)
Earnings (loss) per diluted share from continuing operations	(1.02)	(0.81)
Loss per share from discontinued operations, net of tax	(0.00)	(0.06)
Earnings (loss) per diluted share	(1.02)	(0.87)

<sup>1</sup>Includes \$2.1 of one-time expenses in Q1 2012 associated with the Company's cost reduction programs



## Segment Results

\$M	First Quarter	
	2013	2012
Children's Book Publishing and Distribution		
Revenue	\$71.1	\$77.5
Operating income (loss)	(55.2)	(50.2)
Educational Technology and Services		
Revenue	\$80.0	\$96.6
Operating income (loss)	24.8	38.8
Classroom and Supplemental Materials Publishing		
Revenue	\$37.9	\$45.7
Operating income (loss)	(2.6)	2.1
International		
Revenue	\$90.2	\$87.7
Operating income (loss)	2.8	(0.1)
Media, Licensing and Advertising		
Revenue	\$14.4	\$10.5
Operating income (loss)	(0.0)	(4.6)
Corporate overhead <sup>1</sup>	\$17.3	\$19.2
Operating income (loss) from continuing operations	(\$47.5)	(\$33.2)

<sup>1</sup>Includes \$2.1 of one-time expenses in Q1 2012 associated with the Company's cost reduction programs



## Free Cash Flow and Balance Sheet

\$M	Aug 31, 2012	Aug 31, 2011
Free cash flow (use) (3 month period ending) <sup>1</sup>	\$4.0	(\$68.0)
Accounts receivable, net	\$211.6	\$217.1
Inventories, net	\$396.4	\$422.8
Accounts payable	\$211.3	\$181.2
Accrued royalties	\$109.1	\$52.7
Total debt	\$153.4	\$200.0
Cash and cash equivalents	193.1	33.7
Net debt <sup>2</sup>	(\$39.7)	\$166.3

<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



## Financial Guidance

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**Revenue** \$1.9 to \$2.0 billion

**Earnings from  
Continuing Operations** \$2.20 to \$2.40 per diluted share

**Free Cash Flow** \$120 to \$140 million

**Capital  
Expenditures** \$65 to \$75 million

**Prepublication and  
Production Spending** \$65 to \$75 million

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



## Questions & Answers

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### Participants

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