Forward-Looking Statements and Non-GAAP Measures

This presentation and oral statements made in connection with this presentation contain certain statements that are not historical facts, including information regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, including billings and net sales; financial performance and condition; liquidity; products and services, including for new adoptions; outlook for full year 2019; prospects; growth; markets and market share; strategies, including with respect to investing in our core solutions and extensions businesses and operational excellence; efficiency and cost savings initiatives; the industry in which we operate; and potential business decisions. Those statements constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from the results express in or implied by our forward-looking statements, including, but not limited to, those identified under the caption “Forward-Looking Statements” in our news release issued on August 8, 2019 and in the “Special Note Regarding Forward-Looking Statements” and “Risk Factors” in our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. We undertake no obligation, and do not expect, to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

In addition, this presentation and oral statements made in connection with this presentation reference non-GAAP financial measures, such as adjusted EBITDA and free cash flow, and operating measures, such as billings. The use of these non-GAAP measures are limited as they include and/or do not include certain items not included and/or included in the most directly comparable GAAP measure. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures (to the extent available without unreasonable efforts) and a calculation of operating measures are provided in the appendix to this presentation and in our news release issued on August 8, 2019, which are posted on hmhco.com under the Investors section.
Introduction & Strategy
Operating Review
Financial Overview & Outlook
Summary
Record Q2 2019 Results As HMH 2020 Strategy Progresses

Core Programs Command Leading Share Nationally

- HMH takes the leading share in 2019 Texas ELA adoption (K-8) with 56% market share
- In addition, HMH takes leading share in state adoptions outside of Texas
- Solid performance nationally in Open Territory
- Into Math ‘All green’ score from EdReports
  - Now selling into Open Territory states

Strong Billings\(^1\) Growth Across the Company

- Total Company billings\(^1\) growth was 32% in Q2 and 20% YTD
- Education Segment billings\(^1\) growth of 34% in Q2 and 22% YTD
  - Core Solutions billings\(^1\) growth of 65% in Q2 and 46% YTD
  - Extensions billings\(^1\) growth of 5% in Q2 and 4% YTD
- HMH Books & Media billings\(^1\) growth of 7% in Q2 and 8% YTD

Raising Billings\(^1\) Guidance Ranges

- Total Company billings\(^1\) now expected to be between $1.53-$1.61 billion for 2019
- Core Solutions billings\(^1\) growth guidance now 40% to 50% for 2019
- Extensions billings\(^1\) growth guidance now mid-single digits for 2019
- HMH Books & Media billings\(^1\) guidance unchanged

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\(^1\) An operating measure which we derive from net sales and the change in deferred revenue. See appendix for a calculation of this measure.
HMH 2020 Strategy is Fueling Growth

Enhance & Extend the Core:

- Strategic investment in Core Solutions yielding strong performance nationally
  - Took leading share in all major state adoptions
  - Increased win rate in Open Territory
- Extensions growth continuing in 2019 building on strong growth from last year, with continued secular growth over the long-term
  - Heinemann continues strong performance

Deliver Integrated Solutions:

- Meeting customer needs by offering full portfolio of solutions and services which enables deeper customer relationships and stickiness
- New supplemental solutions in market gain traction for “better together” customer experience combining Core and Extensions
- READ 180 Universal, MATH 180, Amira Learning and Writable winners of Tech & Learning’s 2019 ISTE Best of Show Awards!

Operational Excellence:

- Continued focus on simplification of organizational structures, systems and processes to support our transformation
Education Segment Billings\(^1\) Growth of 34% in Q2 and 22% YTD

- **Core Solutions** billings\(^1\) up $106 million, or 65% in Q2 and $92 million, or 46% on a YTD basis driven by very strong market share performance in 2019’s largest adoption opportunities
  - Texas ELA – leading with a 56% market share for Into programs
  - HMH takes leading share in all state adoptions in addition to Texas
  - Strength in Florida Math gap solutions
  - Strong performance nationally in Open Territory
  - On track for 2020 adoptions
    - Texas Education Agency gives HMH Into Literature for grades 9-12 100% alignment rating for upcoming adoption
- **Extensions** billings\(^1\) up $8 million, or 5% in Q2, and $10 million, or 4% on a YTD basis
  - Driven by growth in Heinemann
  - Early success in SaaS based learning solutions

\(^{1}\) An operating measure which we derive from net sales and the change in deferred revenue. See appendix for a calculation of this measure.
HMH Books & Media Billings¹ Growth of 7% in Q2 and 8% YTD

HMH Books & Media (formerly known as Trade)

- Billings¹ up $3 million, or 7% in Q2, and $6 million, or 8% on YTD basis
- Driven by Carmen Sandiego/Netflix and New York Times best seller titles such as Maybe You Should Talk To Someone and The Giver
- Carmen Sandiego nominated for a 2019 Primetime Emmy award
- Outlook unchanged - second half of 2018 benefited from Carmen/Netflix and Orwell titles

¹ An operating measure which we derive from net sales and the change in deferred revenue. See appendix for a calculation of this measure.
Strong First Half Billings\(^1\) and Deferred Revenue Growth is a Leading Indicator of Adjusted EBITDA\(^2\) Improvement

- Swing from negative change in deferred revenue last year to positive in H1 2019 is a leading indicator of Adjusted EBITDA\(^2\) growth.

\(^1\)An operating measure which we derive from net sales and the change in deferred revenue. See appendix for a calculation of this measure.
\(^2\)Please see appendix for a reconciliation of non-GAAP measures.
First Half Billings\(^1\) Drove Substantial Accounts Receivable Increase, a Leading Indicator of Second Half Free Cash Flow\(^2\) Growth

- Accounts receivable increased by $144 million at 6/30 YOY
- Paid off full outstanding balance of revolving credit facility as of August 1st

\(^1\)An operating measure which we derive from net sales and the change in deferred revenue. See appendix for a calculation of this measure.

\(^2\)Please see appendix for a reconciliation of non-GAAP measures.
Q2 and YTD 2019 Financial Highlights

($ in Millions)

- Net Sales improved 9% in Q2; 5% YOY
- Billings up 32% in Q2; 20% YOY
- Net loss from continuing operations increased $12M in Q2; $23M YOY
- Adjusted EBITDA down $7M in Q2; $9M YOY
- Free Cash Flow usage increase of $82M YOY

1 Three and Six Months ended June 30, 2019
2 An operating measure which we derive from net sales and the change in deferred revenue. See appendix for a calculation of this measure.
3 Please see appendix for a reconciliation of non-GAAP measures.
Increasing our 2019 Billings\(^1\) Guidance

<table>
<thead>
<tr>
<th>Billings(^1)</th>
<th>2019 Original Guidance</th>
<th>2019 Revised Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,490 million to $1,590 million</td>
<td>$1,530 million to $1,610 million</td>
</tr>
</tbody>
</table>

| Content Development Spend | $100 million to $120 million | Unchanged |
| Total Capital Expenditure\(^2\) | $150 million to $170 million | Unchanged |

Additional 2019 Assumptions

- Core Solutions billings\(^1\) growth now expected to be up 40% to 50% (original range was 30% to 45% growth)
- Extensions billings\(^1\) growth now expected to be up mid-single digits (original range was low- to mid-single digits)
- Increase in free cash flow\(^3\) relative to February expectations
- Following additional information remains unchanged:
  - HMH Books & Media billings\(^1\) to decline modestly compared to 2018 levels
  - Fixed costs expected to grow by approximately $20 million
  - Variable costs of 39% of billings\(^1\) consistent with 2018
  - Working Capital usage of approximately $20 million
  - Interest expense to fluctuate with changes in interest rates

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\(^1\) An operating measure which we derive from net sales taking into account the change in deferred revenue. See calculation of this metric in the appendix to this presentation.

\(^2\) Capital expenditures include pre-publication costs and property, plant and equipment expenditures.

\(^3\) Please see appendix for a reconciliation of non-GAAP measures.
HMH is positioned for financial success

Execution against HMH 2020 strategy driving strong financial results
- Increased share of new adoption market
- Generating billings\(^1\) growth
- Improved free cash flow\(^2\) fundamentals

Improved business model and cost structure
- Shift to software-like development model
- Operational Excellence initiatives will drive further efficiencies

Multi-year outlook remains attractive
- Elevated new adoption spending
- Growth returning to Open Territory
- Extensions growth expected to continue
- Durable, positive free cash flow\(^2\) through the cycle

\(^1\)An operating measure which we derive from net sales and the change in deferred revenue. See appendix for a calculation of this measure.
\(^2\)Please see appendix for a reconciliation of non-GAAP measures.
In conclusion....Our Strategy is Working

- New programs are winning in the market
- Delivering billings¹ growth
- Billings¹ growth will drive free cash flow² growth
- Durable free cash flow² -generating business
- Fulfilling needs of educators and students and driving growth for HMH

¹An operating measure which we derive from net sales and the change in deferred revenue. See appendix for a calculation of this measure.
²Please see appendix for a reconciliation of non-GAAP measures.
Questions & Answers
Appendix
## Billings

<table>
<thead>
<tr>
<th>($ in Millions)</th>
<th>Three Months Ended June 30,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Core Solutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>$168</td>
<td>$152</td>
</tr>
<tr>
<td>Change in Deferred Revenue</td>
<td>103</td>
<td>13</td>
</tr>
<tr>
<td>Billings</td>
<td>$271</td>
<td>$165</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extensions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>$182</td>
<td>$169</td>
</tr>
<tr>
<td>Change in Deferred Revenue</td>
<td>(3)</td>
<td>1</td>
</tr>
<tr>
<td>Billings</td>
<td>$179</td>
<td>$170</td>
</tr>
<tr>
<td>Total Education Billings</td>
<td>$450</td>
<td>$335</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HMH Books &amp; Media</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>$39</td>
<td>$36</td>
</tr>
<tr>
<td>Change in Deferred Revenue</td>
<td>(0)</td>
<td>0</td>
</tr>
<tr>
<td>HMH Books &amp; Media Billings</td>
<td>$39</td>
<td>$36</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>$389</td>
<td>$357</td>
</tr>
<tr>
<td>Change in Deferred Revenue</td>
<td>100</td>
<td>14</td>
</tr>
<tr>
<td>Total HMH Billings</td>
<td>$489</td>
<td>$371</td>
</tr>
</tbody>
</table>

1 An operating measure which we derive from net sales and the change in deferred revenue.
2 Details may not sum to total due to rounding.
# Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended June 30,</th>
<th></th>
<th>Six Months Ended June 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td>Variance %</td>
<td>2019</td>
</tr>
<tr>
<td>Net Sales</td>
<td>$389</td>
<td>$357</td>
<td>9%</td>
<td>$583</td>
</tr>
<tr>
<td>Billings²</td>
<td>489</td>
<td>371</td>
<td>32%</td>
<td>644</td>
</tr>
<tr>
<td>Loss from continuing operations</td>
<td>(41)</td>
<td>(29)</td>
<td>40%</td>
<td>(158)</td>
</tr>
<tr>
<td>Adjusted EBITDA³</td>
<td>47</td>
<td>54</td>
<td>(12%)</td>
<td>21</td>
</tr>
<tr>
<td>Free Cash Flow³</td>
<td></td>
<td></td>
<td></td>
<td>(340)</td>
</tr>
<tr>
<td>Pre-publication Costs</td>
<td>(30)</td>
<td>(35)</td>
<td>16%</td>
<td>(56)</td>
</tr>
<tr>
<td>Capital Expenditures⁴</td>
<td>($38)</td>
<td>($47)</td>
<td>20%</td>
<td>($74)</td>
</tr>
</tbody>
</table>

¹ All amounts have been adjusted to eliminate the impact of the Riverside Standardized Testing business which has been removed from continuing operations and classified as discontinued operations.

² An operating measure which we derive from net sales and the change in deferred revenue. See calculation of this metric in this appendix.

³ Please see this appendix for a reconciliation of non-GAAP measures.

⁴ Capital expenditures include pre-publication costs and property, plant and equipment expenditures.
## Non-GAAP Reconciliation – Adjusted EBITDA

<table>
<thead>
<tr>
<th>($ in Millions)</th>
<th>Three Months Ended June 30,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Net loss from continuing operations</td>
<td>($41)</td>
<td>($29)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Interest income</td>
<td>(0)</td>
<td>(0)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td>Amortization expense – film asset</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>49</td>
<td>41</td>
</tr>
<tr>
<td>Non-cash charges – stock compensation</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Non-cash charges – (gain) loss on derivative instrument</td>
<td>(0)</td>
<td>1</td>
</tr>
<tr>
<td>Fees, expenses or charges for equity offerings, debt or acquisitions/dispositions</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Severance, separation costs and facility closures</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Gain (loss) on sale of assets</td>
<td>–</td>
<td>(1)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA from continuing operations</strong></td>
<td><strong>$47</strong></td>
<td><strong>$54</strong></td>
</tr>
</tbody>
</table>

1 Details may not sum to total due to rounding.
Non-GAAP Reconciliation – Free Cash Flow

<table>
<thead>
<tr>
<th>($ in Millions)</th>
<th>Three Months Ended June 30, 2019</th>
<th>2018</th>
<th>Six Months Ended June 30, 2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash used in operating activities</td>
<td>($90)</td>
<td>($76)</td>
<td>($266)</td>
<td>($175)</td>
</tr>
<tr>
<td>Additions to pre-publication costs</td>
<td>(30)</td>
<td>(35)</td>
<td>(56)</td>
<td>(60)</td>
</tr>
<tr>
<td>Additions to property, plant, and equipment</td>
<td>(8)</td>
<td>(12)</td>
<td>(18)</td>
<td>(23)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>($128)</td>
<td>($123)</td>
<td>($340)</td>
<td>($258)</td>
</tr>
</tbody>
</table>

1 Details may not sum to total due to rounding.
Forward-Looking Non-GAAP Reconciliation –
Adjusted Fixed and Variable Costs and Free Cash Flow

Management has presented certain forward-looking statements about the Company’s expected future performance on a non-GAAP basis, including adjusted fixed and variable costs and free cash flow. Management is unable to present a quantitative reconciliation of these forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures of cost of sales and selling and administrative expense and net cash provided by operating activities because management cannot reliably predict all of the necessary components of such GAAP measures on a forward-looking basis.

The adjusted fixed and variable costs are derived by excluding and/or including certain items required to be included in/excluded from the most directly comparable GAAP financial measures of cost of sales and selling and administrative expense. The determination of the items excluded from/included in adjusted fixed and variable costs is a matter of management judgment and depends upon, among other things, the nature of the underlying items recognized in a given period. Management excludes/includes the following items from adjusted fixed and variable costs and such items may also be excluded/included in future periods and could be significant in amount.

- Interest expense, interest income, tax benefit/expense, depreciation and amortization expense
- Non-cash charges related to stock compensation, asset impairments and unrealized gains and losses for derivative instruments
- Fees, expenses or charges related to the acquisition/dispositions of other businesses, integration costs and transaction costs
- Fees, expenses or charges related to securities offerings and debt refinancings
- Charges associated with restructuring and cost saving initiatives, including severance, separation and facility closure costs
- Income from transition services agreement
- Non-routine charges or gains

Our inability to present a quantitative reconciliation of adjusted fixed and variable costs to cost of sales and selling and administrative expense on a forward-looking basis also prevents us from being able to present a quantitative reconciliation of free cash flow to net cash provided by operating activities on a forward-looking basis.