Because learning changes everything.®

McGraw Hill

Fiscal 2021 Q1
Investor Update

August 28, 2020

Final

Important Notice

Forward-Looking Statements

This presentation includes statements that are, or may be deemed to be, “forward-looking statements.” These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “anticipates,” “expects,” “intends,” “plans,” “may,” “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this presentation and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the developments in the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if our results of operations, financial condition and liquidity, and the developments in the industry in which we operate are consistent with the forward-looking statements contained in this presentation, those results of operations, financial condition and liquidity or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements we make in this presentation speak only as of the date of such statement, and we undertake no obligation to update such statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Non-GAAP Financial Measures

Certain financial information included herein, including Billings, EBITDA and Adjusted EBITDA, are not presentations made in accordance with U.S. GAAP, and use of such terms varies from others in our industry. Billings, EBITDA and Adjusted EBITDA should not be considered as alternatives to revenue, net income from continuing operations, operating cash flows or any other performance measures derived in accordance with U.S. GAAP as measures of operating performance, debt covenant compliance or cash flows as measures of liquidity. Billings, EBITDA and Adjusted EBITDA have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under U.S. GAAP. This presentation includes a reconciliation of certain non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with U.S. GAAP.

Adjusted EBITDA, which is defined in accordance with our debt agreements, is provided herein on a segment basis and on a consolidated basis. Adjusted EBITDA by segment, as determined in accordance with Accounting Standards Codification Topic 280, Segment Reporting, is a measure used by Management to assess the performance of our segments. Adjusted EBITDA on a consolidated basis is presented as a debt covenant compliance measure. Management believes that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about certain material non-cash items and about unusual items that we do not expect to continue at the same level in the future as well as other items to assess our debt covenant compliance, ability to service our indebtedness and make capital allocation decisions in accordance with our debt agreements.

Introducing the New McGraw Hill Reporting Segments

Global Professional Established to Maximize Opportunity

Higher Education

77% Digital[1]

- Top 3 provider in the U.S. higher education market with 24% market share[2]
- Focused on affordable and effective student offerings including digital courseware, print rental and loose-leaf
- Solutions sold direct-to-student, via distribution partners and through Inclusive Access model
- Inclusive Access model is highly accretive, growing substantially (+43% Y/Y in Fiscal Q1) with a course enrollment capture rate of nearly 100%

Digital, adaptive courseware and traditional print solutions

K-12

40% Digital[1]

- Top 3 provider in the U.S. K-12 curriculum and learning solutions market with 20% market share[3]
- Revenues derived from blended solutions to meet varying levels of technology needs and infrastructure
- 100% of core programs available in digital and print format
- Salesforce of over 300 selling directly to approximately 13K school districts

Blended digital and print education solutions

International

30% Digital[1]

- Extensive product portfolio for higher education, K-12 and enterprise markets serving more than 100 countries
- Significant digital growth opportunities exist by leveraging digital capabilities to adapt content for local markets
- Revenues derived from standalone and blended solutions
- Salesforce of more than 400 located in more than 40 countries

Portfolio of products and solutions across all education markets

Global Professional

51% Digital[1]

66% Domestic Billings

- Market-leading digital content offerings for high stakes medical and technical industries
- *Access* product sold in more than 80 countries worldwide and growing at a CAGR of 10% over the past 7 years
- Strong customer retention[4] of >90% on *Access* platform with exceptional, long standing institutional customer base
- High gross margin business with strong and steady cash flows

Medical, technical and business content with training solutions

(1) As of LTM 6/30/20; Digital represents standalone digital sales and where digital product is sold in a bundled arrangement, only the value attributed to the digital component(s) is included
(2) Market share as measured by MPI; MPI tracks Higher Ed revenue of new materials only for six select publishers (McGraw Hill, Pearson, Cengage, Wiley, Oxford & Macmillan)
(3) Market share as measured by AAP
(4) As of 12/31/19; Renewal rate is measured annually at calendar year-end

McGraw Hill Well Positioned for Online Modality

Offering Solutions and Services to Support Educators and Learners' Needs

World-Class Digital Portfolio

- Extensive and curated digital catalogue with world-class authoring tools and advanced analytics continuously delivers improved outcomes and user experiences
- Higher Education nearly 80% digital
- More than 5M *ALEKS* Unique Users across Global Higher Education & K-12 in the LTM period
- More than 4M *Connect* activations in the LTM period

Unwavering Support for Educators and Learners'

- Focused and dedicated implementation specialists provide platform support and training for educators and administrators as they use McGraw Hill digital solutions
- Differentiated customer support model fully supports digital offerings and improves user experience
- Online Learning Consortium partnership supports digital faculty consultants and implementation experts

Personalized Learning Experience

- Personalized and adaptive learning platforms help students achieve their full potential
- Advanced user analytics better equip educators to understand group learnings, act earlier and improve student outcomes

Superior Value and Experience

- Inclusive Access offering in Higher Education helps drive digital adoption and delivers affordable, high-value adaptive digital solution accessible on the first day of class
- Majority of K-12 solutions are bundled (print and digital) allowing for an affordable hybrid solution
- *ALEKS* offering provides a reportable, AI driven adaptive learning solution that spans the learning continuum

We continue to empower learners, educators and institutions to improve learning outcomes

Fiscal Year 2021 Priorities and Considerations

Fiscal Year 2021

	Priorities	Considerations
Total Company	• Execute on transitioning instructors and learners to an online modality while maximizing near term digital growth opportunities • Continue to execute on material permanent run-rate cost savings opportunities while creating a more efficient operating model • Tightly manage liquidity and maximize working capital opportunity through various global initiatives	• $100M of permanent run-rate savings will be actioned in the current fiscal year with incremental working capital improvements • Full impact of COVID-19 still unknown and materially impacting print business while serving as an accelerant for ongoing digital transition • Outyear K-12 funding and adoption calendar will be impacted by COVID-19; Higher education Fall enrollment decline not yet known
Higher Ed	• Continue to scale world-class digital portfolio (*Connect*, *ALEKS*, *Smartbook 2.0*, ABA, Virtual Lab, Masters and SIMnet) • Support significant increase in usage of digital platforms resulting from large scale transition to online learning • Target new revenue models which deliver our content in different ways as needed and demanded by our customers	• Billings will continue to increasingly align with the start of the semester as Inclusive Access business grows • Higher education enrollments will be impacted by COVID-19
K-12	• Drive share in critical on-list adoptions • Focus on Open Territory growth opportunities • Increase the number of supplemental and intervention offerings	• TX 9-12 ELA adoption and CA Science & Social Studies adoptions represent largest market opportunities • COVID-19 and potential for learning disruption in the Fall will drive increased need for remediation and products like the new *MH Rise* (a digital supplemental solution designed to identify and address students' learning gaps)
International	• Focus on back-to-school with continued support of institutions, educators and learners as transition to online learning continues • Ongoing portfolio review to ensure efficient allocation of resources and focus on future growth opportunities	• Pandemic uncertainty gives rise to shifting semester start dates across the globe and enrollment uncertainty • Cost structure rationalization with reinvestment in high potential digital opportunities to drive higher margins
Global Professional	• Leverage new business structure to drive *Access* growth globally • Maximize print opportunities via channel and partner management along with consolidation of global supply chain	• Although serving the high stakes medical industry, there is potential institutional & government budget impact on *Access* • Print impact from slower than expected recovery in brick and mortar stores

Fiscal First Quarter Billings and Adj. EBITDA Impacted by COVID-19
Digital Transition Continues with Strong, Global *Connect* Activation Growth
Ongoing Business Transformation Underway

Fiscal Q1 2021 Highlights

Receivable securitization renewed for three-year period locking in $150M seasonal securitization line through August 2023

Total Billings	Total Digital Billings	Total Adj. EBITDA	Free Cash Flow[1]
$307M	**$160M**	**$53M**	**$6M**
-22% Y/Y [2]	*+14% Y/Y excluding K-12*	*-$10M Y/Y [2]*	*+$27M Y/Y*

Higher Ed: Digital transition continues to be successfully driven by Affordability and Outcomes Initiatives, with robust growth across Inclusive Access and *Connect* activations, along with favorable returns experience; market share[3] improved 166 bps as of LTM 6/30

K-12: Smaller on-list adoption market opportunity impacting overall performance (as expected) in addition to the impact of COVID-19; Early indicators in TX ELA 9-12 adoption remain positive with cost structure changes in FY20 benefiting the period

International: Significantly impacted by COVID-19 across all regions, more than offset strong digital Billings growth of 35% Y/Y and cost savings initiatives

Global Professional: Digital Billings grew to 63% of total Billings in fiscal Q1 with strong performance of digital subscription-based model *Access* offset by COVID-19 driven print decline

Liquidity: Solid fiscal Q1 cash balance with undrawn line of credit of $350M and $70M (mandatory minimum) drawn on $150M seasonal securitization line as of August 28th

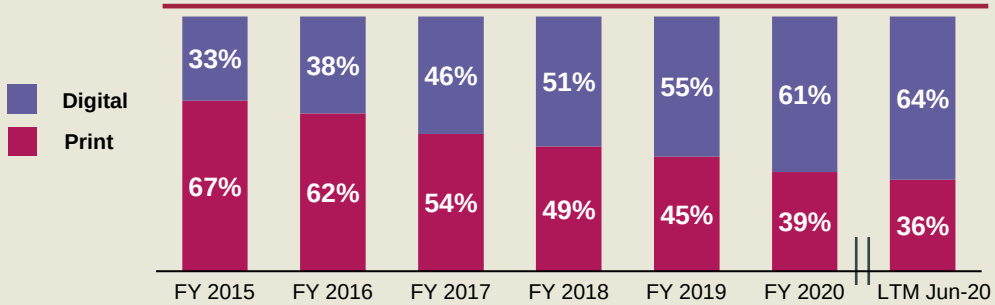
Performance in FY 2021 will be negatively impacted by COVID-19 and known smaller K-12 new adoption market opportunity despite ongoing efforts to minimize the impact

(1) See Appendix for reconciliation (page 22)
(2) On a constant currency basis, Total MH Billings was $307M, down 22% Y/Y and Total Adjusted EBITDA was $51M, down 19% Y/Y
(3) Market share as measured by MPI; MPI tracks Higher Ed revenue of new materials only for six select publishers (McGraw Hill, Pearson, Cengage, Wiley, Oxford and Macmillan) It does not include sales data from other publishers or distributors and does not track used, OER or other sales/rental from other sources

Digital Transition Continues

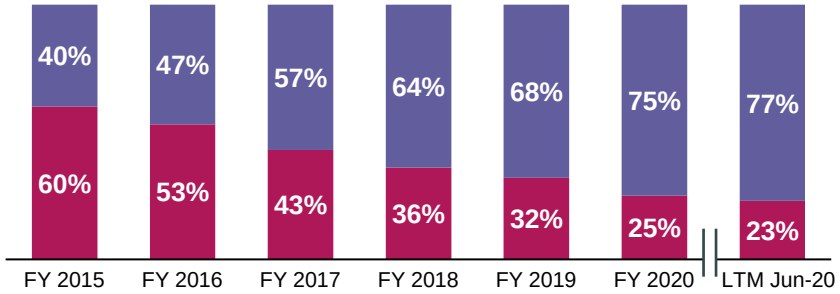
…and Should Accelerate as a Result of COVID-19

McGraw Hill (excluding K-12)[1]

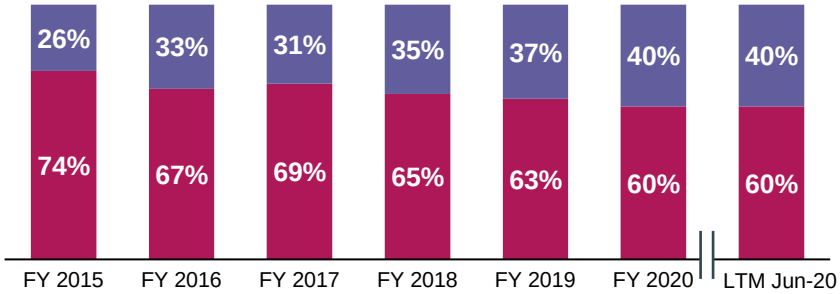


- Digital Billings in LTM 6/30/20 were nearly $900M as compared to $600M in FY15
- Inclusive of K-12 (where digital composition varies from year-to-year driven by the core basal adoption calendar), digital comprised 55% in LTM 6/30/20
- Digital trajectory will continue and is expected to accelerate in current COVID-19 environment
- Business is prepared to address incremental digital demand and continues to work closely with educators and learners to facilitate digital transition

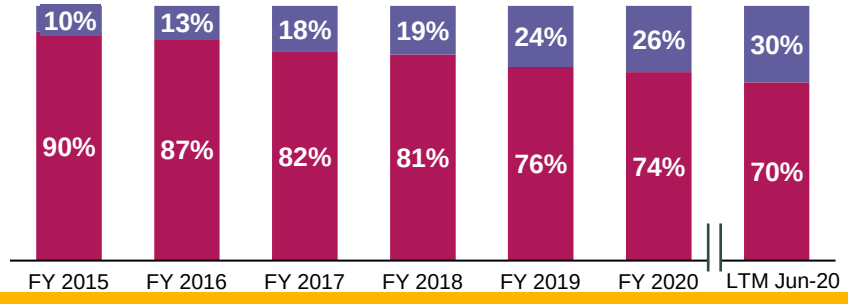
Higher Education



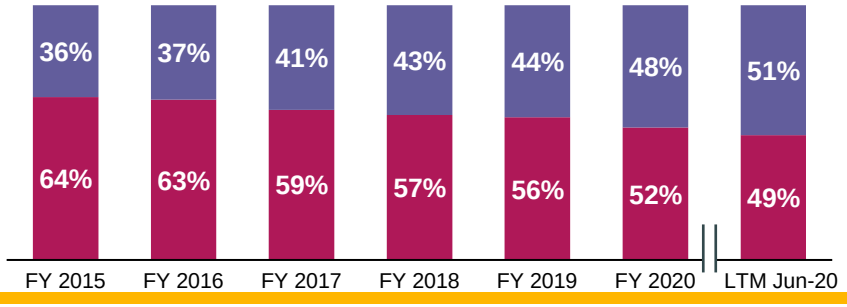
K-12



International



Global Professional[2]



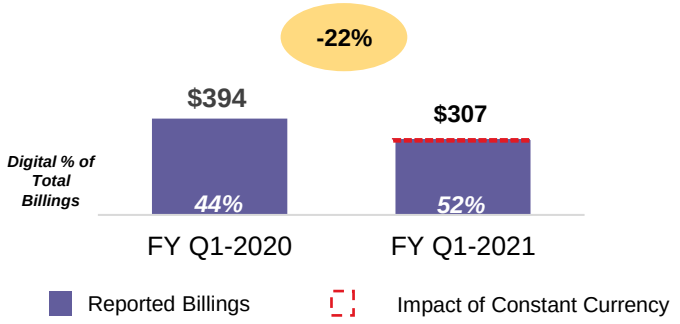
(1) Total digital Billings adjusted to exclude K-12 which is impacted by core basal adoption calendar and resultant product mix from year-to-year
(2) Reflects Global Professional recast

McGraw Hill Fiscal Q1 2021 Results

- Total MH Billings and Adj. EBITDA performance in the fiscal first quarter were impacted by an expected smaller K-12 adoption market opportunity and COVID-19, most notably in International where print Billings declined 51% Y/Y
- Strong underlying digital Billings growth vs. prior year across Higher Ed (+12%), Global Professional (+13%) and International (+35%) despite challenging environment
  - Digital Billings grew to 52% of total Billings in fiscal Q1 as compared to 44% in prior year
  - K-12 digital Billings declined 29% Y/Y in-line with broader Billings decline driven by new adoption calendar and blended (as opposed to digital replacement) offerings
- Total MH Billings of $307M declined 22% Y/Y impacted by an expected smaller new adoption market opportunity in K-12 and COVID-19 business implications
  - International print Billings continued to be significantly impacted by COVID-19
  - Higher Education and K-12 Billings negatively impacted by COVID-19 beginning in March as distribution channel partners and schools temporarily closed or reduced operations which impacted the ability to receive shipments – this continued through late Q1
- Adjusted EBITDA declined $10M or 16% Y/Y; gross margin impact from Billings decline was partially offset by material operating expense and plate savings

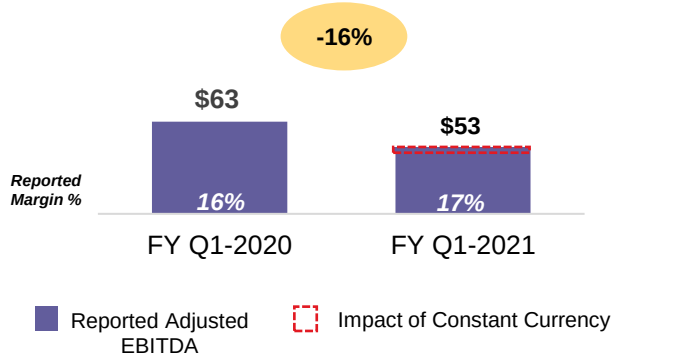
Total Billings[1]

($ in Millions)



Adjusted EBITDA[1]

($ in Millions)

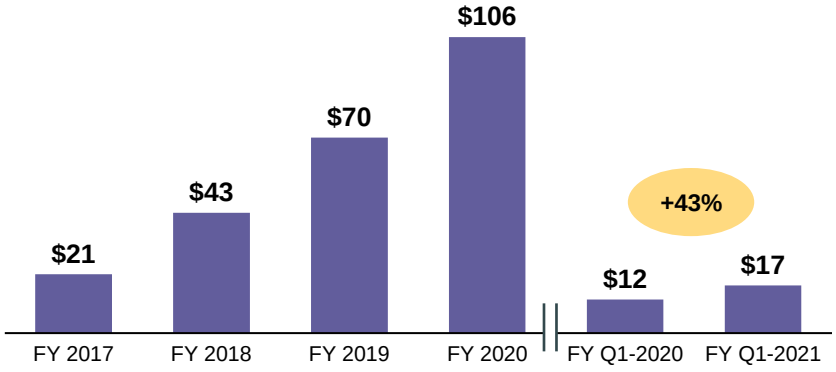


(1) On a constant currency basis, Total MH Billings was $307M, down 22% Y/Y and Total Adjusted EBITDA was $51M, down 19% Y/Y

Digital Ed Tech Highlights

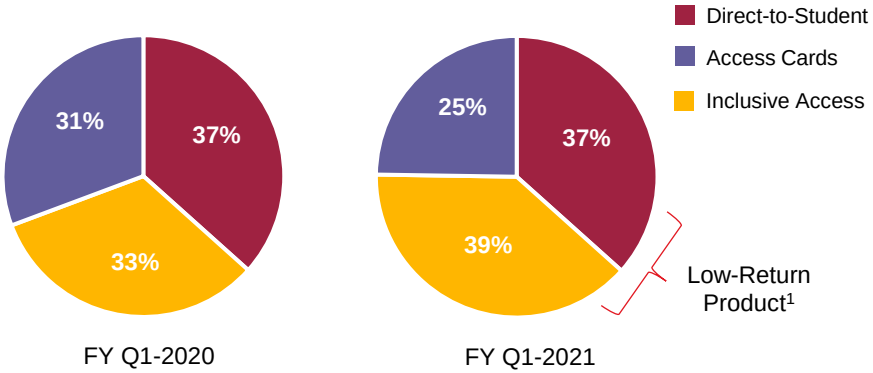
All numbers are in millions

Inclusive Access Net Sales (U.S. Higher Ed)



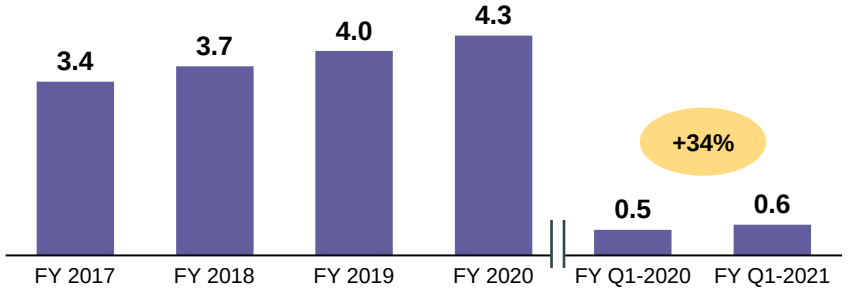
Inclusive Access growth accelerated with the number of campuses participating exceeding 1,100

Connect Paid Activations Product Mix (U.S. Higher Ed)



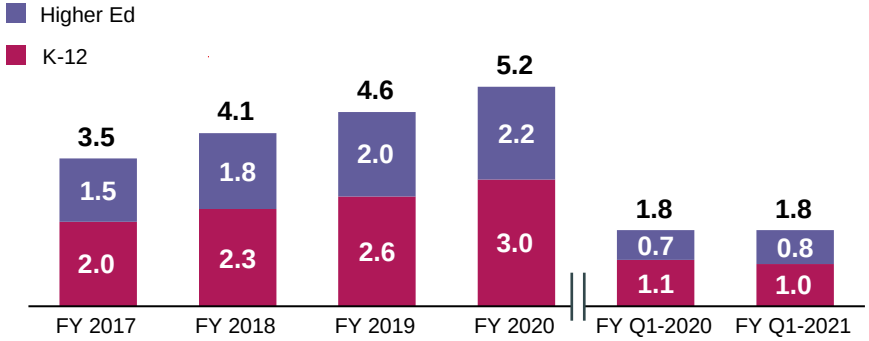
Institutional sales increase sell-through and drive digital growth
More than 3/4 of activations are from low-return products

Connect Paid Activations (U.S. Higher Ed)[2]



User base continues to grow with successful digital transition and increased adoption

ALEKS Unique Users (Global Higher Ed and K-12)[3]



K-12 institutional access to ALEKS negatively impacted by COVID-19 related school closures while growth continued in HE

(1) Return rate less than 2%; Inclusive Access net sales include a small percentage of print from bundle sales. Amounts may not sum due to rounding
(2) Does not include International Connect activations of 137K, up ~125% Y/Y
(3) Includes International ALEKS unique users up ~211% Y/Y

McGraw Hill Operating Expense and Capital Deployment

Expense Management Helps Support Ongoing Investment

Operating Expense

- Expenses continue to be tightly managed to facilitate ongoing business investment and benefit profitability
- In addition to actions taken in January which will yield approximately $25M in run-rate savings, an additional $100M of run-rate savings will be actioned in the current fiscal year coupled with incremental working capital initiatives
- Additional savings will be realized through workforce rationalization and optimization, contract renegotiations, offshoring certain processes and functions as well as reducing discretionary spend
- Excluded from operating expense presented are variable annual incentive expense and pre-publication investment

Product Investment

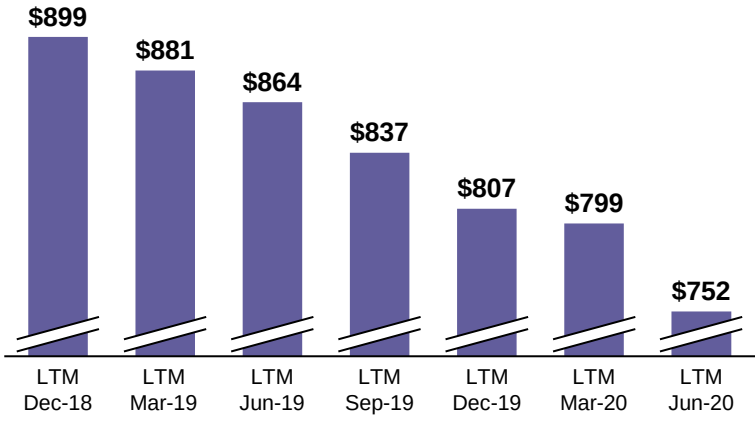
- Through our digital platforms group and pre-publication investment, we have historically invested approximately $250M per year to create, maintain and enhance our offerings; pre-publication investment will continue at ~4-6% of Billings with variation driven by key K-12 adoption opportunities

CARES Act Considerations

- Company will take advantage of deferring payment of employer's share of federal Social Security tax on employees' wages through December 2020
- Company will take advantage of increased Interest Expense Deduction and expanded Capex Tax Expensing provisions in Act
- Other opportunities will be explored although not expected to provide material benefit at this point

Operating Expense Trending[1]

($ in Millions)



Product Investment and Enhancement Continues

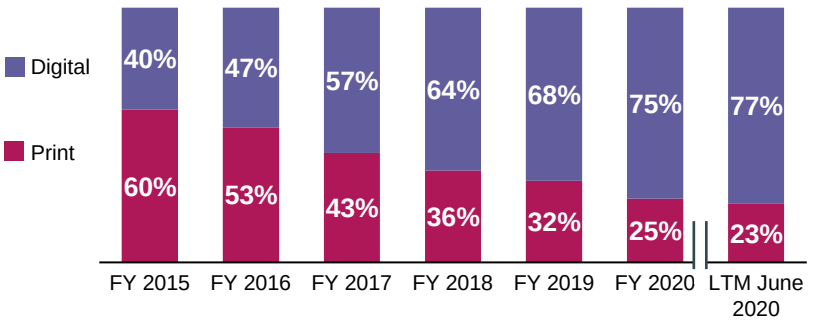
McGraw Hill ALEKS
McGraw Hill connect
ALEKS MathReady
McGraw Hill RISE
California Inspire Science
SmartBook® 2.0
ACCESS DermatologyDxRx
Reveal MATH Grades K–5
SRA Reading Mastery
studysync TEXAS
NEW INTERACTIONS INTRO
proctorio

(1) Excludes variable annual incentives and pre-publication investment

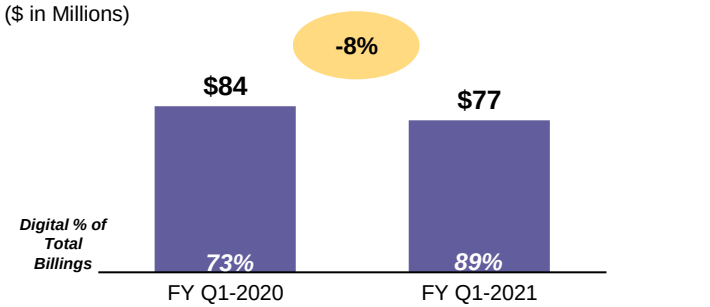
Higher Education Fiscal Q1 2021 Results

- Fiscal Q1 performance strong given current environment with performance driven by digital growth across Direct-to-Student and Inclusive Access
- Billings of $77M, declined 8% Y/Y driven in part by temporary distribution channel partner and institution closures which contributed to shipment delays
- Digital Billings of $69M grew 12% Y/Y
  - *Connect* Paid Activations of 647K, up 34% Y/Y
  - Inclusive Access Net Sales of $17M, up 43% Y/Y as participating campuses exceeded 1,100
- Net sales of $80M were slightly lower (2% Y/Y) as sales continue to shift from Q1 to 'low-return' sales[1] in Q2 aligned with the start of the semester; gross sales were 800bps[2] favorable to the rest of the industry
  - Print Billings declined 63% driven by channel disruption and digital conversion
  - Actual product returns continued to decline as expected, down $5M (20% improvement) vs prior year
  - Returns experience was less favorable compared to the broader industry as driven by an earlier MH transition to lower return offerings[1] in prior years and thus a lower returns favorability Y/Y
- Continue to increase market share[2] with reported 166 bps gain as of LTM 6/30/20
- Q1 Adj. EBITDA performance improvement driven by workforce reorganization executed in Jan 2020 which was strategically designed to facilitate future growth; ~$15M in savings on a run-rate basis

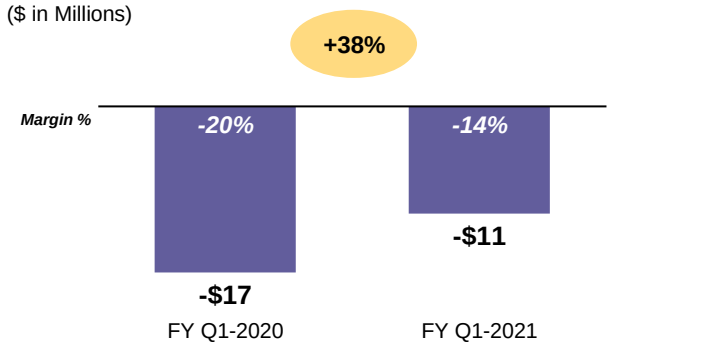
Digital vs. Print Billings Mix %



Total Billings



Adjusted EBITDA

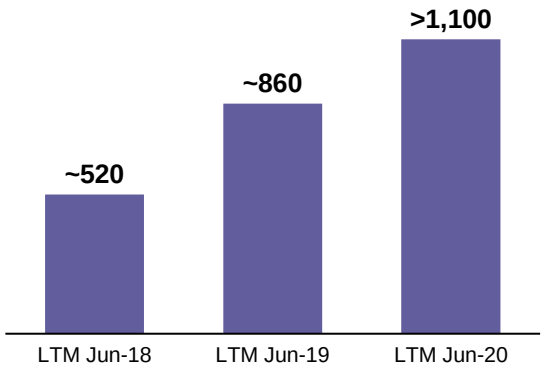


(1) Inclusive Access, direct-to-student and rental; Return rate less than 2%
(2) Market share as measured by MPI; MPI tracks Higher Ed revenue of new materials only for six select publishers (McGraw Hill, Pearson, Cengage, Wiley, Oxford and Macmillan) It does not include sales data from other publishers or distributors and does not track used, OER or other sales/rental from other sources

Digital Future Accelerated by Inclusive Access Model

"Land and Expand" Strategy Drives *Connect* Activations Growth

# of Inclusive Access (IA) Campuses using *Connect*



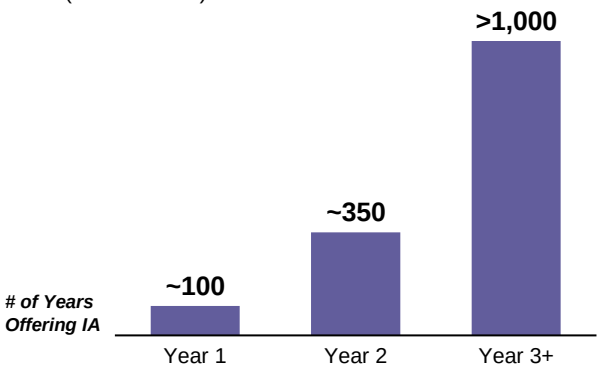
Avg. # of Professors per Campus Using Inclusive Access Model

	LTM June 2018	LTM June 2019	LTM June 2020
Yr. 1	**6**	5	4
Yr. 2	10	**15**	14
Yr.3+	31	35	**33**

Average # of professors using IA grew more than 5-fold over a 24-month period

Total *Connect* Activations through Inclusive Access as of LTM June 2020

(in Thousands)



1 Establish Enterprise Relationship

Ensure institutional infrastructure in place with one department or instructor adopting the Inclusive Access model and ensuring course materials available on Day 1

"Land"

2 Drive Increased IA Adoption

Faculty and student success in initial adoption helps drive incremental adoptions within each institution

"Expand"

3 Drive Activation Growth

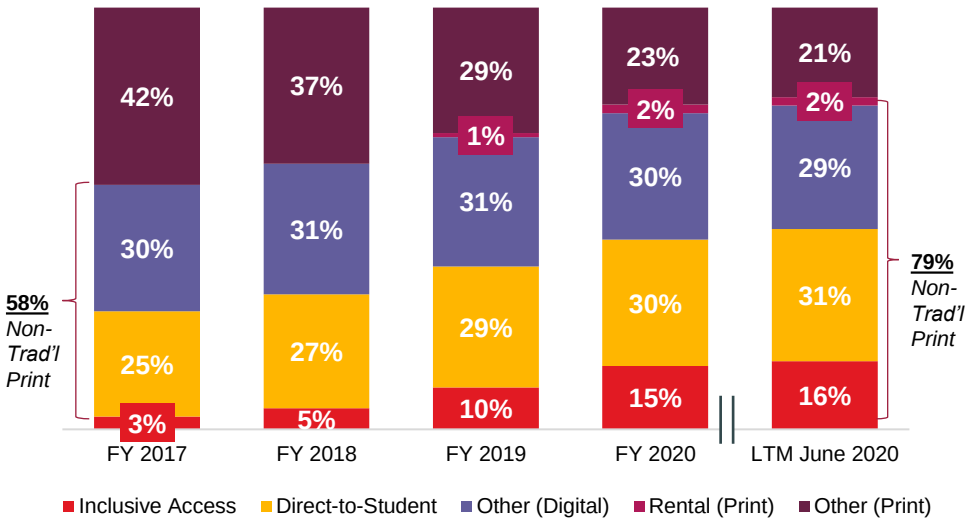
Additional faculty adoptions and expanded enterprise relationships contribute to increased activations and sell-through over time

Higher Education Business Evolution

Increase in Digital & Low Return Product Sales Drives a More Efficient Model

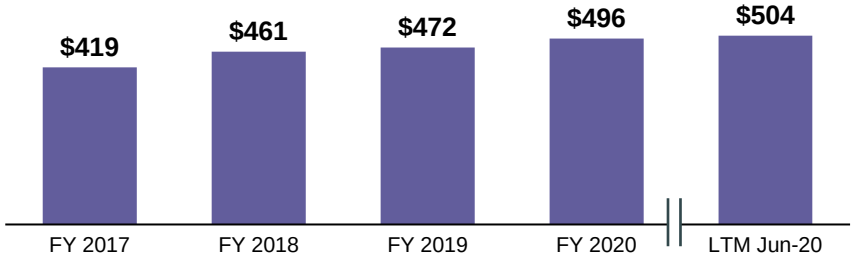
- The ongoing business evolution away from traditional print creates efficiency opportunities
  - Lower inventory levels along with reduced physical product returns and costs associated with excess channel ordering
  - Lower earnings volatility risk associated with estimation of future period print returns
  - More predictable cash flows and improved days sales outstanding associated with point-of-demand purchases (Inclusive Access, Direct-to-Student eCommerce, Rental)
- COVID-19 is expected to accelerate the transition to digital and a more efficient operating model
- Digital and Rental represent nearly 80% of net sales today as compared to 58% in FY 2017
- Meaningful and growing installed base of 4.3M *Connect* activations and 2.2M *ALEKS* users in fiscal 2020 will support the ongoing evolution

Higher Ed Product Mix (% Net Sales)



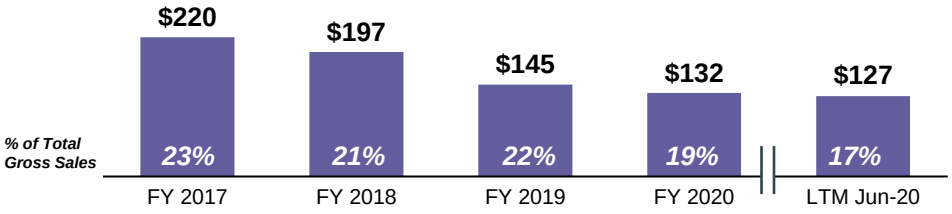
Higher Ed Digital Billings

($ in Millions)



Higher Ed Actual Returns

($ in Millions)

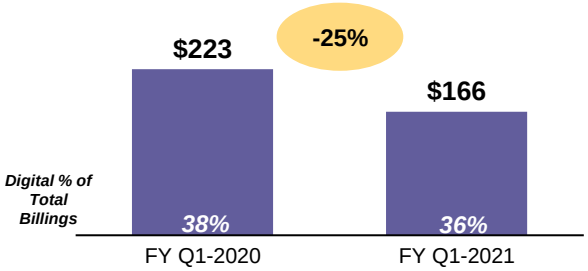


K-12 Fiscal Q1 2021 Results

- K-12 performance impacted by expected smaller on-list adoption market opportunity, the decision to forgo certain non-core adoptions and COVID-19, including delayed purchasing in multi-year CA adoptions (Science and Social Studies)
- Fiscal Q1 Billings of $166M declined 25% Y/Y, significantly impacted by COVID-19 (as expected), the expected smaller on-list adoption market opportunity and lower Social Studies sales in CA Y/Y
  - Billings negatively impacted as school districts closed and reduced operations, ultimately delaying shipments
- Digital Billings declined 29% Y/Y broadly inline with total Billings decline and impacted by adoption calendar driven product mix
- Calendar year 2020 new adoption market expected to be smaller and more inline with 2016-2018 period; McGraw Hill remains focused on core disciplines
  - MH outperforming in TX Reading (9-12) adoption compared to prior year K-8 adoption
  - Total Open Territory market in Q1 increased 3% Y/Y
- Adj. EBITDA declined $26M or 36% Y/Y driven by lower Billings partially offset by reduced operating costs and lower plate spend
- Launched *McGraw Hill Rise* in August 2020
  - A digital supplemental solution designed to identify and address students' learning gaps
  - Designed for ELA and Math (grades 3-8) and powered by the McGraw Hill SmartBook 2.0 adaptive learning engine
  - Embedded formative assessments to personalize learning

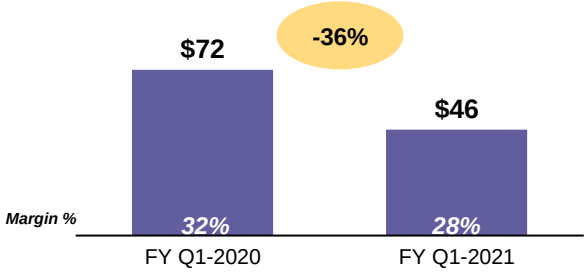
Total Billings

($ in Millions)



Adjusted EBITDA

($ in Millions)



Fiscal year 2021 Billings are expected to be down mid-teens versus prior year driven by a known smaller adoption market and impact of COVID-19

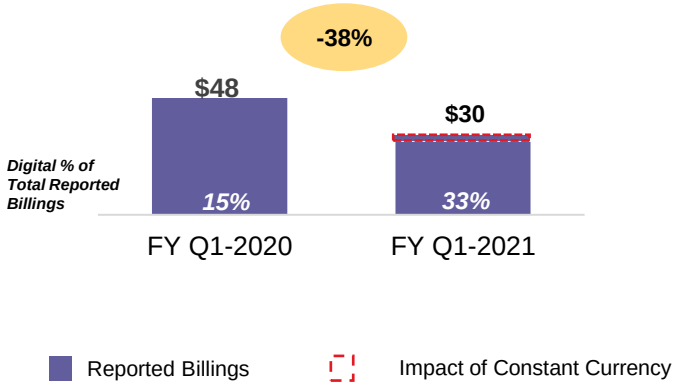
Plate expenditures are estimated to increase by >$10 million in the balance of the fiscal year driven by the timing of future period new adoption opportunities

International Fiscal Q1 2021 Results

- Fiscal Q1 performance significantly impacted by COVID-19 across all regions, as expected, partially offset by strong digital Billings growth and various cost savings initiatives. Digital activations growth continued, accelerating the transition to a higher margin digital business
- Digital Billings increased 35% Y/Y and is now more than 30% of total Billings vs 15% prior year
  - Digital growth across Canada and the Middle East, primarily through *Connect* sales
  - *Connect* activations of 137K, up ~125% Y/Y
  - *ALEKS* unique users up ~211% Y/Y
- Adj. EBITDA decline driven primarily by margin flow through on lower Billings and additional, proactive provision expense for bad debt and inventory driven by COVID-19 uncertainties
- Print Billings continued to be negatively impacted by strategic implementation of tighter controls over U.S. editions sold internationally to prevent leakage into the U.S. market

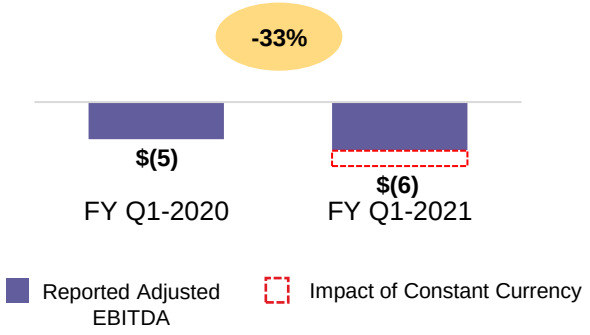
Total Billings[1]

($ in Millions)



Adjusted EBITDA[1]

($ in Millions)



(1) On a constant currency basis, International Billings was $29M, down 38% Y/Y and Adjusted EBITDA was $(8)M

Introducing New Global Professional Segment

Market-leading digital content offerings for high stakes medical and technical industries

- ***#1*** best-selling medical content in 5+ markets
- Top tier engineering solution in global markets
- Business is more than ***50%*** digital
- Total addressable market of more than ***$30 billion*** with immediately addressable market of more than ***$10 billion***

World renowned brand and authoritative source

- ***7,400+*** titles for professionals in critical fields around the world
- ***>90%*** *Access* retention rate[2]
- More than ***2,000*** institutional clients

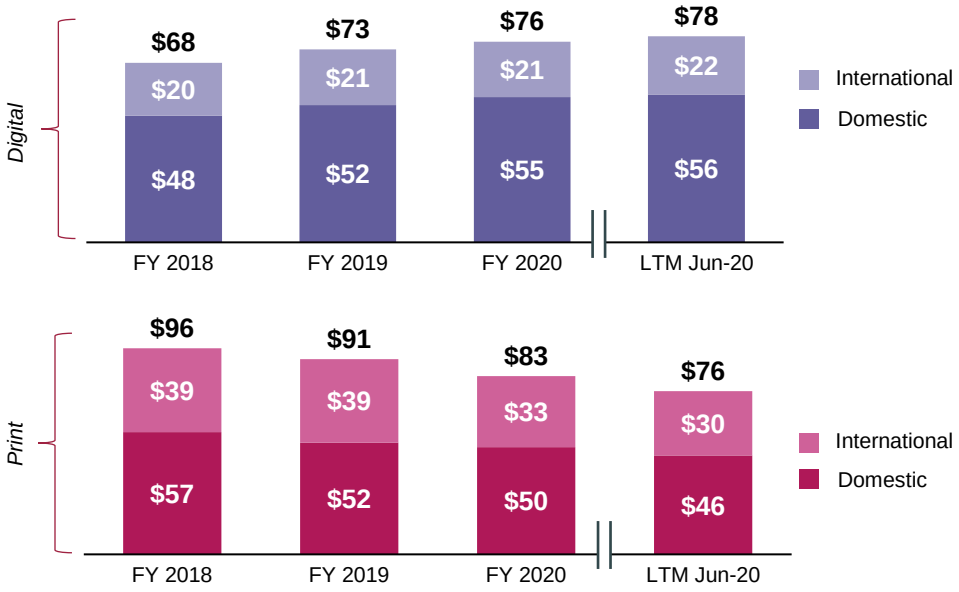
Meaningful opportunity to grow internationally

- Sell into more than ***80*** countries currently
- No dedicated international salesforce until fiscal Q1 this year
- Significant runway for *Access* internationally with no market concentration today

Focused on personalized, interactive experience with Access

- ***11,000+*** Q&As for test prep and self assessment
- ***900+*** cases for mastery of clinical knowledge
- ***150+*** medical text prep guides
- Largest reference tool dataset in the industry

Global Professional Billings Split[1]



Recent Product Launches

ACCESS Medicine Case Files® Collection	*Launched* **2019**	*Innovative, digital-original portal for individual and group case-based learning in medicine*
ACCESS DermatologyDxRx™	*Launched* **2020**	*Latest expansion of the acclaimed Access digital subscription portfolio in a key global medical market segment*

Upcoming Product Launches

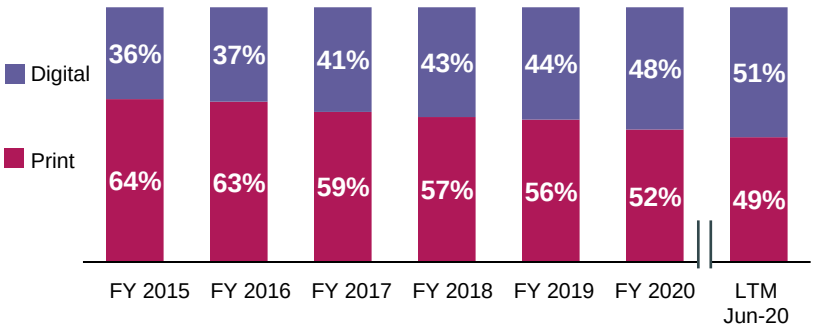
Surgery Curriculum and Engagement Tool	*Expansion of model into app-supported end user engagement for curricular requirements*
Cancer Treatment Decision Marking Tool	*Hybrid Access + digital original tools/content for multibillion-dollar global cancer drug market*

(1) 100% of global Access sales were captured in prior Professional segment presentation
(2) Renewal rate is measured annually at calendar year-end

Global Professional Fiscal Q1 2021 Results

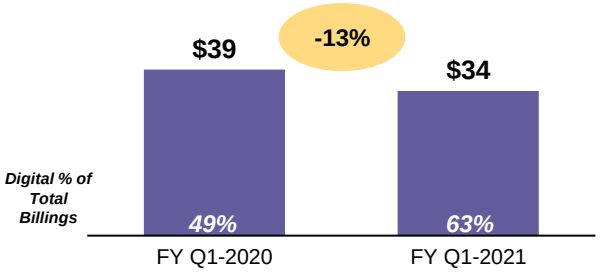
- Strong digital subscription performance (both new and renewals) was offset by print Billings decline driven in part by the temporary closure of brick and mortar locations due to COVID-19
- Digital Billings increased 13% Y/Y, increasing to 63% of total Billings vs. 49% in prior year
  - *Access* subscription Billings increased 10% Y/Y
  - *AccessMedicine* site visits up 25% through LTM 6/30 driven, in part, by the impact of COVID-19
  - *Access* annual renewal rates[1] continue to be in excess of 90%
- Print business impacted by COVID-19
  - Domestic print declined 32% Y/Y due to store closures and lower corporate training sales, partially offset by growth in online sales
  - International print declined 47% Y/Y due primarily to university bookstore closures
- Proactive provision expense for bad debt and inventory driven by COVID-19 uncertainties was more than offset by operating expense savings during the period

Digital vs. Print Billings Mix %



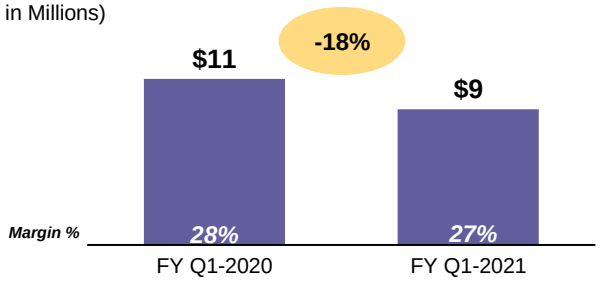
Total Billings

($ in Millions)



Adjusted EBITDA

($ in Millions)



Outstanding Portfolio of Industry-Leading Content

3M+
Copies of Harrison's Principles of Internal Medicine sold worldwide

200K+
Pages of expert medical content on the Access platform

50K+
Pages of expert content on the Access Engineering platform

3K+
Carefully crafted Clinical Cases for medical study and instruction

300+
Print titles per yr. across medical, engineering, computing, languages & test prep and business

(1) Renewal rate is measured annually at calendar year-end

Capital Structure and Liquidity

($ in Millions)	LTM 6/30/19	LTM 6/30/20*
Ending Cash Balance	**$107**	**$177**
Principal payments	31	62
Chicago and New York build-out Capex	10	30
Proposed merger-related payments	1	27

- Cash balance of $177M at 6/30/20 as compared to $107M at 6/30/19 even after taking into account increased principal payments, lower securitization draw, higher real estate capital expenditures and payments related to proposed merger
- $165M total principal prepayments since 2017 after $44M principal payment in March 2020
- Strong fiscal Q1 cash balance after seasonal peak-to-trough period was impacted by improved collections and ongoing cost saving initiatives
- $350M committed line of credit remains undrawn
- Receivable securitization program (now extended through August 2023) remains highly effective in offsetting seasonal cash cycle with seasonal availability up to $100M; contractual minimum drawn at August 28th
- Total committed liquidity of $450M (revolver and seasonal securitization)
- As of August 26, 2020, bank cash balance was $256M as compared to $191M in PY with revolver undrawn and $70M drawn on receivable securitization (compared to $95M in PY)

McGraw Hill Debt Profile: 6/30/20*

($ in Millions)

Senior Secured Term Loan due 2022	**$1,599**
Revolving Credit Facility due 2021 ($350M)	-
Total First Lien Indebtedness	**$1,599**
Less: Cash and Cash Equivalents*	(177)
Net First Lien Indebtedness	**$1,422**
Last Twelve Months Adjusted EBITDA	**$363**
Net First Lien Indebtedness / Adjusted EBITDA[1] (covenant not required to be tested)	**3.9x**
Senior Unsecured Notes Due 2024	400
Net Total Indebtedness-MH Global Education	**$1,822**
MHGE Parent Term Loan Due 2022	**$180**
Net Total Indebtedness – MHE Inc.	**$2,002**

**Cash and cash equivalents excludes restrictive cash*

Securitization outstandings at 6/30 ($95M) are excluded from debt profile as they are excluded from the definition of debt under the first lien credit agreement

Revolving credit facility outstandings exclude $4.3M of letters of credit issued

Cash will continue to build through the remainder of the calendar year and is expected to be higher at fiscal year-end than last year, benefited by lower capital expenditures, lower cash interest payments and working capital improvements

(1) Net First Lien Leverage covenant for revolving credit facility is tested if 30% of revolving credit facility is drawn at quarter-end. Usage was less than 30% at 6/30/20 so covenant did not apply. Net First Lien Leverage covenant levels, if required to be tested, would be 5.25x in fiscal Q1 and 4.8x in fiscal Q2, Q3 and Q4. EBITDA used to calculate Net First Lien Leverage covenant ratio would be Adjusted EBITDA plus pro-forma adjustments that are permitted under Credit Agreement and Indenture

Fiscal Q2-2021 Snapshot

Fiscal Q2-2021 (through late August unless otherwise indicated)

COVID-19 impact continues and varies across the portfolio

- Higher Education digital transition accelerating as expected
  - Digital trends experienced in fiscal Q1 continue and are accelerating
  - In July, Higher Education Inclusive Access Billings were up 15% Y/Y and direct-to-student Billings were up 30% Y/Y
  - Higher Education *Connect* paid activation growth of more than 70%Y/Y month-to-date through August 26th
    - August is on-track to be the highest *Connect* paid activations month ever
- Billings for International segment are trending favorably relative to Q1 decline experienced
- Print Billings continue to be impacted by COVID-19 and ongoing distribution channel disruptions (predominately international)
- Smaller K-12 market opportunity materializing, as expected
- Billings flow through impact offset by actioned and ongoing cost savings initiatives
  - Operating expense (excluding variable annual incentives and pre-publication) in July decreased by more than 10%; for the fiscal year through July, operating expense savings amounted to more than $50 million/ 20% Y/Y
  - Cost structure continues to be reviewed given ongoing impact of COVID-19

Summary

- Total Company performance in fiscal Q1 impacted by COVID-19 and smaller K-12 adoption market opportunity (as expected)
  - Margin impact from lower Billings materially offset by actioned and ongoing cost savings which contribute to a more efficient prospective cost structure
- Digital transition accelerated underpinned by strong, global *Connect* activation growth
- Higher Ed performed well with strong digital growth across Direct-to-Student and Inclusive Access and continued market share growth
- K-12 impacted by expected smaller on-list adoption market opportunity, decision to forgo certain non-core adoptions and COVID-19
- International significantly impacted by COVID-19 across all regions (as expected), partially offset by strong digital activations growth, accelerating the transition to a higher margin digital business
- Global Professional experienced strong digital subscription performance offset by lower print sales driven, in part, by the temporary closure of brick and mortar locations due to COVID-19
- Solid fiscal Q1 cash balance with no material funded debt maturities until 2022 and additional liquidity available under $350M committed line of credit and receivables securitization (renewed through August 2023)
- COVID-19 continues to have an impact on the business through late fiscal Q2

Appendix: Supplemental Disclosure And Financial Tables

Free Cash Flow

($ in Millions)

Cash Flow Comparison	Three Months Ended June 30, FY20	FY21	Y/Y $
Adjusted EBITDA	**63**	**53**	**(10)**
Δ in Accounts Receivable, net	(128)	(62)	67
Δ in Inventories, net	4	(13)	(16)
Δ in Prepaid & Other Current Assets	(4)	1	5
Δ in Accounts Payable and Accrued Expenses	46	24	(22)
Δ in Other Current Liabilities	(11)	(2)	10
Δ in Reported Working Capital Accounts	**(94)**	**(51)**	**43**
Adjustments to Derive Operational Working Capital[1]	23	14	(9)
Δ in Adjusted Working Capital Accounts	**(71)**	**(37)**	**34**
Adjusted EBITDA less Δ in Adjusted Working Capital Accounts	**(8)**	**16**	**24**
Pre-publication Investment	22	15	(6)
Restructuring and Cost Savings Implementation Charges	(7)	(7)	1
Sponsor Fees	(1)	(1)	0
Cash Paid for Interest	(54)	(51)	3
Operational Working Capital Adjustments and Other[2]	(10)	(5)	6
Cash (used for) provided by operating activities	**(58)**	**(32)**	**27**
Adjusted EBITDA less Δ in Working Capital Accounts per above	(8)	16	24
- Capital Expenditures & Payment of Capital Lease Obligations	(13)	(10)	3
Operating Free Cash Flow[2]	**(21)**	**6**	**27**
Cash Balance at Beginning of Period	**189**	**187**	**(2)**
Cash (used for) provided by operating activities	(58)	(32)	27
Net Debt (Payments) / Receipts	10	46	35
Pre-publication Investment	(22)	(15)	6
Capital Expenditures	(12)	(7)	5
Investments, Acquisitions & Divestitures, net	3	0	(3)
Payment of Capital Lease Obligations	(1)	(3)	(2)
Equity transactions, net	(0)	0	0
Other	(1)	2	3
Cash Balance at End of Period	**107**	**177**	**70**

Key Variance Drivers

- *Accounts Receivable:* change attributable to the lower K-12 AR build in FY21 driven by lower Billings; Higher Education balance higher at March-20 vs March-19
- *Inventories:* inventory levels lower at March-20 compared to March-19; K-12 inventories higher at June-30 driven by sales delay
- *Accounts Payable / Accrued Expenses:* change attributable to accounts payable and sales commission payables
- *Other Current Liabilities:* change attributable to reduced sales return reserve and timing of annual incentives with new fiscal year
- *Pre-pub Investment:* change attributable to savings in Higher Ed and K-12 investment

(1) Includes the impact of certain non operational, Adjusted EBITDA or capital structure working capital items (i.e., purchase accounting, accrued interest, deferred royalties, income taxes, available for sale assets, etc.)
(2) Includes adjustment for long-term deferred royalties and long-term sales commissions included in calculation of Adjusted EBITDA

New Segment Presentation Historical Trending

($ in Millions)

	Fiscal 2018	Fiscal 2019					Fiscal 2020					Fiscal 2021
	Full Year	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year	Q1
Billings												
International	$ 241	47	79	57	32	$ 214	48	74	60	19	$ 200	$ 30
Global Professional	$ 165	38	41	59	27	$ 164	39	40	53	27	$ 159	$ 34
Adjusted EBITDA												
International	$ 11	(10)	21	3	(12)	$ 3	(5)	15	9	(21)	(3)	(6)
Global Professional	$ 48	9	14	22	1	$ 45	11	12	20	(0)	$ 43	$ 9

Above presentation reflects new International and Global Professional reporting segment trending.

All *Access* sales for Professional were historically captured within the legacy Professional reporting segment.

International Billings reclassified to Global Professional represent print Billings exclusively.

Billings and Adjusted EBITDA

Billings is a non-GAAP performance measure that provides useful information in evaluating our period-to-period performance because it reflects the total amount of revenue that would have been recognized in a period if we recognized all print and digital revenue at the time of sale. We use Billings as a performance measure given that we typically collect full payment for our digital and print solutions at the time of sale or shortly thereafter, but recognize revenue from digital solutions and multi-year deliverables ratably over the term of our customer contracts. As sales of our digital learning solutions have increased, so has the amount of revenue that is deferred in accordance with U.S. GAAP. Billings is a key metric we use to manage our business as it reflects the sales activity in a given period, provides comparability from period-to-period during this time of digital transition and is the basis for all sales incentive compensation. In the K-12 market where customers typically pay for five to eight year contracts upfront and the ongoing costs to service any contractual obligation are limited, the impact of the change in deferred revenue is most significant. Billings is U.S. GAAP revenue plus the net change in deferred revenue.

EBITDA, a measure used by management to assess operating performance, is defined as net income from continuing operations plus net interest, income taxes, depreciation and amortization (including amortization of pre-publication investment cash costs). Adjusted EBITDA is a non-GAAP debt covenant compliance measure that is defined in accordance with our debt agreements. Adjusted EBITDA is a material term in our debt agreements and provides an understanding of our debt covenant compliance, ability to service our indebtedness and make capital allocation decisions in accordance with our debt agreements.

Each of the above described measures is not a recognized term under U.S. GAAP and does not purport to be an alternative to revenue, income from continuing operations, or any other measure derived in accordance with U.S. GAAP as a measure of operating performance, debt covenant compliance or to cash flows from operations as a measure of liquidity. Additionally, each such measure is not intended to be a measure of free cash flows available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Such measures have limitations as analytical tools, and you should not consider any of such measures in isolation or as substitutes for our results as reported under U.S. GAAP. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement U.S. GAAP results to provide a more complete understanding of the factors and trends affecting the business than U.S. GAAP results alone. Because not all companies use identical calculations, our measures may not be comparable to other similarly titled measures of other companies.

Management believes Adjusted EBITDA is helpful in highlighting trends because Adjusted EBITDA excludes the results of certain transactions or adjustments that are non-recurring or non-operational and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax rules in the jurisdictions in which companies operate, and capital investments. In addition, Billings and Adjusted EBITDA provide more comparability between the historical operating results and operating results that reflect purchase accounting and the new capital structure post the Founding Acquisition as well as the digital transformation that we are undertaking which requires different accounting treatment for digital and print solutions in accordance with U.S. GAAP.

Management believes that the presentation of Adjusted EBITDA, which is defined in accordance with our debt agreements, is appropriate to provide additional information to investors about certain material non-cash items and about unusual items that we do not expect to continue at the same level in the future as well as other items to assess our debt covenant compliance, ability to service our indebtedness and make capital allocation decisions in accordance with our debt agreements.

Note: In compliance with SEC interpretative guidance, we now refer to 'Adjusted Revenue' as 'Billings' throughout the presentation

Adjusted EBITDA Reconciliation

($ in Millions)

	Three Months Ended June 30,		Fiscal Year Ended March 31,	LTM June 30,
	2019	2020	2020	2020
Net Income	$ (42)	$ (3)	$ (135)	$ (97)
Interest (income) expense, net	46	44	188	186
Provision for (benefit from) taxes on income	2	1	12	10
Depreciation, amortization and pre-pub. amortization	52	44	231	222
EBITDA	**$ 60**	**$ 86**	**$ 295**	**$ 322**
Change in deferred revenue (a)	9	(30)	77	39
Change in deferred royalties (b)	(2)	(2)	(17)	(18)
Change in deferred commissions (c)	(2)	(1)	0	1
Restructuring and cost saving implementation changes (d)	7	7	22	21
Sponsor fees (e)	1	1	4	4
Transaction costs (f)	5	6	32	33
Other (g)	8	2	35	29
Pre-pub. investment cash costs (h)	(22)	(15)	(74)	(68)
Adjusted EBITDA	**$ 63**	**$ 53**	**$ 373**	**$ 363**

Adjusted EBITDA Footnotes

(a) We receive cash up-front for most sales but recognize revenue (primarily related to digital sales) over time recording a liability for deferred revenue at the time of sale. This adjustment represents the net effect of converting deferred revenues to a cash basis assuming the collection of all receivable balances.

(b) Royalty obligations are generally payable in the period incurred with limited recourse. This adjustment represents the net effect of converting deferred royalties to a cash basis assuming the payment of all amounts owed in the period incurred.

(c) Commissions are generally payable in the period incurred. This adjustment represents the net effect of converting deferred commissions to a cash basis assuming the payment of all amounts owed in the period incurred.

(d) Represents severance and other expenses associated with headcount reductions and other cost savings initiated as part of our formal restructuring initiatives to create a flatter and more agile organization.

(e) Represents $3.5 million of annual management fees and payable to Apollo.

(f) The amount represents the transaction costs associated with the Merger Agreement entered between the Company and Cengage on May 1, 2019 and terminated on May 3rd, 2020.

(g) For the three months ended June 30, 2020, the amount represents (i) non-cash incentive compensation expense of $1.1 million and (ii) other adjustments required or permitted in calculating covenant compliance under our debt agreements.

For the three months ended June 30, 2019, the amount represents (i) non-cash incentive compensation expense and (ii) other adjustments required or permitted in calculating covenant compliance under our debt agreements.

For the year ended March 31, 2020, the amount represents (i) non-cash incentive compensation expense of $13.0 million, (ii) International trademark impairment of $3.0 million, (iii) change in deferred real estate and lease incentives of $8.0 million primarily related to the Company move to the new headquarters at 1325 Ave of Americas, and (iv) other adjustments required or permitted in calculating covenant compliance under our debt agreements.

(h) Represents the cash cost for pre-publication investment during the period.

Digital Product Offering Descriptions

Product	Description	Higher Education	K-12	International	Global Professional
Access	Digital subscription platform that provides easily searchable digital content integrated with dynamic and functional workflow tools for medical & engineering students, practitioners and clinicians			✓	✓
ALEKS	Adaptive learning technology in Math and Chemistry for the K-12 and Higher Ed markets	✓	✓	✓	
Connect	Open learning environment for students and instructors in the Higher Education market and K-12 students taking AP courses	✓	✓	✓	
ConnectED	Content delivery platform for the K-12 market		✓	✓	
Inclusive Access	A predominantly digital solution in Higher Ed that provides students with required materials on the first day of class at a reduced cost, offering greater affordability to students	✓			
ReadAnywhere App	Allows students to access their McGraw Hill textbooks and SmartBook 2.0 via phone and mobile devices	✓			
Redbird	A leading digital personalized learning company that offers courses in K-12 math, language arts and writing, and virtual professional development programs for educators		✓	✓	
SmartBook	Adaptive reading product designed to help students understand and retain course material by guiding each student through a highly personal study experience	✓	✓	✓	

Fiscal Year Timing Considerations

Business Evolution and COVID-19 will Impact Quarterly Comparability

Fiscal Year 2021

Timing	Key Business Considerations	Expectations
Fiscal Year Q1 Apr - Jun (Complete)	*Timing of Purchases* *Timing of Print Shipments* *International Recovery* *Liquidity Position*	• Expect ongoing shift of Higher Education Billings from FY Q1 to FY Q2 as traditional distributor sales transition to Inclusive Access, Rental and ongoing Direct-to-Student • Shipments in period will be impacted by distribution channel partners and school districts levels of operation and ability to receive product • Lower Higher Education product returns Y/Y but some catch up from delayed March returns expected (already considered in reserve-for-returns estimate at 3/31/20) • Continue to closely monitor early signs of International recovery • Liquidity will remain strong given current cash balance and expectation for seasonal AR securitization availability growth
Fiscal Year Q2 **Jul - Sep**	*HE Semester Aligned Purchases* *Increased Inclusive Access Billings* *Continuing Digital Billings Growth* *International Performance*	• Higher Education Billings will continue to increasingly align with the start of the semester • Inclusive Access growth will continue; Higher Education enrollments will be impacted by COVID-19 • Increased K-12 shipments expected after delay in prior quarter • International stabilization anticipated
Fiscal Year Q3 **Oct - Dec**	*Product Returns Favorability* *HE Billings shift will continue* *Key Quarter for International & Global Professional*	• October and November are key returns months; materially lower returns expected • Higher Education Billings will continue to shift from FY Q3 to FY Q4 • Combined Int'l & Global Professional Billings have approximated 30-35% of FY historically
Fiscal Year Q4 **Jan - Mar**	*Inclusive Access Growth* *Material Quarter for HE*	• Expect material Higher Ed Billings in quarter with continuing shift from Q3 to Q4 • Inclusive Access growth will continue (60%+ growth in Q4 FY20) • Seasonal low quarter for K-12, International and Global Professional