Because learning changes everything.®

McGraw Hill

Fiscal 2021 Q2 Investor Update

November 24, 2020

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.

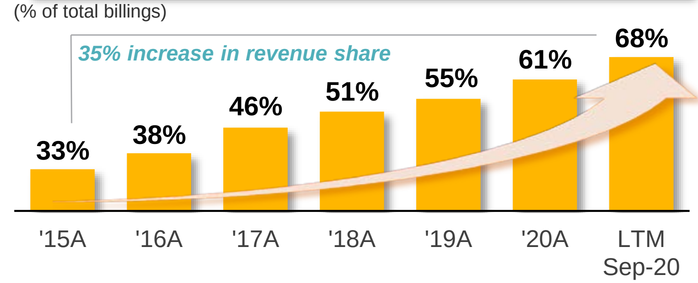
Adjusted EBITDA, which is defined in accordance with our debt agreements, is provided herein on a segment basis and on a consolidated basis. Adjusted EBITDA by segment, as determined in accordance with Accounting Standards Codification Topic 280, Segment Reporting, is a measure used by Management to 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.

MH is Well Positioned for the Future

By the numbers

~\$900M LTM Digital Billings [1]	**68%** LTM Digital Billings [1]	**30%** *Connect paid* activations growth	**17%** Digital Billings growth [1]
~\$250M Annual spend to create, enhance & maintain portfolio	**10.2M** *ConnectEd* Users	**5.7M** *Connect* Paid Activations	**5.2M** *ALEKS* Unique Users

Increasing share of Digital Billings[1]



Market leader in digital enablement and global distribution of curated, educational content at scale

Extensive digital library – more than nine million gigabytes of best-in-class education focused digital content

Higher Ed

Strong digital growth to continue as digital offerings are increasingly embedded in course delivery

25% [2] Market share

81% Digital Billings

% of Total Billings **44%**

Representative product offerings

ALEKS, McGraw Hill SIMnet, Virtual Labs, SMARTBOOK, McGraw Hill connect

K-12

Revenues derived from blended solutions; 100% of core programs available in digital and print format

20% [2] Market share

41% Digital Billings

% of Total Billings **35%**

Representative product offerings

ALEKS, McGraw Hill connectED, REDBIRD ADVANCED LEARNING, Reveal MATH, McGraw Hill, RISE

Professional

Access performance remains strong with annual renewal rates in excess of 90%

2,250+ Customers

52% Digital Billings

% of Total Billings **10%**

Representative product offerings

Access Medicine, Access Engineering, Access Science, Access DermatologyDxRx

International

Extensive product portfolio for Higher Ed, K-12 and enterprise markets serving more than 100 countries

>400k *Connect* Activations

41% Digital Billings

% of Total Billings **12%**

Representative product offerings

ALEKS, McGraw Hill connectED, McGraw Hill SIMnet, McGraw Hill connect

(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) Market share calculation based on LTM Sep 20; market share as measured by AAP and MPI.

Business Performance is Strong

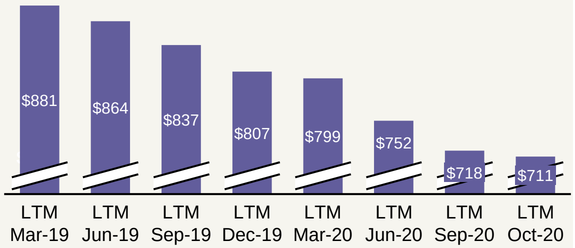
Strong 'Back-to-School' Performance

- Billings performance was strong in Back-to-School period despite global pandemic and expectedly smaller K-12 market opportunity
- Higher Education Billings 'inflection point' achieved as Digital grew to 80% of total Billings with Digital Billings growth more than offsetting Print Billings declines
- Total Adjusted EBITDA grew to $377M despite expectedly smaller K-12 market opportunity, which impacted Adjusted EBITDA negatively by $43M

World-Class Digital Portfolio

- Extensive and curated digital catalogue with world-class authoring tools and advanced analytics continuously delivers improved outcomes and user experiences
- Focused and dedicated implementation specialists provide platform support and training for educators and administrators
- Differentiated customer support model improves digital user experience
- Digital contribution margin is superior to print, driven by the leveraging of semi-fixed digital cost structure

Material Cost Structure Improvement



- Ongoing transition to digital creates opportunities for significant efficiencies across the cost structure and working capital
- $100M of savings expected to be actioned in FY21 with $40M realized in FY21, driving profitability and facilitating further investment

Strong Cash Flow Generation

- Operating free cash flow in excess of $250M generated in H1
- Cash flow generation in H2 will continue to be strong driven by business performance and favorability given material capital investments related to Chicago and New York office buildouts in prior periods as well as costs related to terminated merger
- Use of tax attributes continues to offset domestic cash tax obligations

Strong Cash Position & Liquidity

- Cash in excess of $400M today
- $350 million committed line of credit remains undrawn with additional seasonal $150 million accounts receivable securitization

Improving Leverage

	Mar-19	Mar-20	Sep-20
LTM Net First Lien Leverage	5.1x	3.8x	**3.3x**
LTM Net Leverage	7.1x	5.4x	**4.8x**
Pro forma for actioned cost savings			
LTM Net First Lien Leverage			**2.9x**
LTM Net Leverage			**4.3x**

Latest Company Updates

Performance Update

- Successful 'back-to-school' campaign with significant digital Billings growth to more than ***$900 million*** in LTM period which represents approximately *70%*[1] of Billings
- Higher Education reached ***inflection point*** with digital Billings growth of 18% to 80% of total Billings and more than offsetting print Billings decline; global *Connect* activations grew to nearly 6 million (+30% Y/Y)
- COVID-19 has ***accelerated*** the transition to digital and the opportunity for a more efficient cost structure
- Approximately 2/3 of fiscal year Billings recognized in H1 with market share[2] growth for both Higher Ed and K-12; favorable Y/Y comparison for International beginning in fiscal Q4 given early impact of COVID-19
- ***$100 million*** of permanent run-rate savings program implemented; program will provide ***$40 million*** of realized savings in fiscal year 2021
- Excluding pro forma adjustments, LTM Adjusted EBITDA now ***$377M*** vs. $373M for FY20 with continued growth expected in H2 driven by 1) October performance (Billings and Adjusted EBITDA growth); 2) continued digital Billings growth; 3) realization of actioned cost savings (Adjusted EBITDA $425M after run-rate impact of actioned savings); and 4) impact of additional savings to be actioned in H2
- Cash balance in excess of ***$400M*** today with growth expected through fiscal Q3 in normal course; $350M line of credit committed and undrawn with additional seasonal $150M accounts receivable securitization
- Net first lien leverage was 3.3x at September 2020 with total company net leverage of 4.8x

Business Update

- In September, Dr. Tarika Barrett, Chief Operating Officer at Girls Who Code, was appointed to McGraw Hill's Board of Directors

(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) Market share calculation based on LTM Sep 20 vs LTM Sep 19; market share as measured by AAP for K-12 and MPI for Higher Ed.

Solid H1 FY 2021 Performance with Material Actioned Savings to be Realized
H1 Adjusted EBITDA Increased Y/Y and is now $377M for LTM September
Higher Ed Reached Inflection Point with Digital Transition Accelerated

Total Billings	Total Digital Billings	Total Adj. EBITDA	Free Cash Flow[1]
$1.1B	$0.6B	$439M	$254M
-9% Y/Y	*+ 17% Y/Y excluding K-12*	*+ 1% Y/Y*	*- $16M Y/Y*

H1 FY21 Highlights

Higher Ed: Growth across all digital solutions led by Inclusive Access model and supported by ongoing investments in implementation and customer support drove 155bps market share[2] improvement; strong performance counter to enrollment decline as sell-through increases and recapture of grey market continues

K-12: Performance inline with expectations driven by expectedly smaller on-list adoption market opportunity with market stability forecast through FY23; performance in TX ELA 9-12 adoption remains strong with cost structure changes benefiting Cash EBITDA and better positioning the business against market cyclicality

International: Print Billings materially impacted by COVID-19 since January with recovery beginning in late fiscal Q2; digital revenue growth continues with focus on institutional sales and local product development

Professional: Digital subscription-based *Access* performance remains strong with new global structure driving international pipeline growth; print business recovery expected as distribution channel partners return to full operation and new titles are introduced in H2

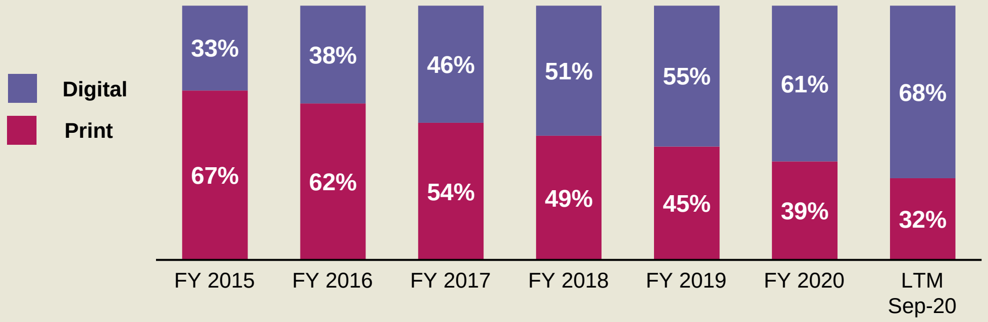
Liquidity: Cash balance of $360M at September 30th, 2020 will continue to grow throughout fiscal Q3 in normal course with additional liquidity available via undrawn line of credit of $350M and $150M incremental seasonal securitization line; net first lien leverage of 3.3x

(1) See Appendix for reconciliation (page 19)
(2) Market share calculation based on LTM Sep 20 vs LTM Sep 19; 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

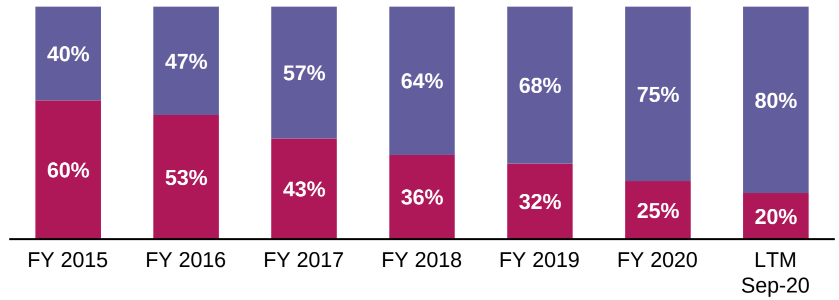
…and is Accelerating Across the Business

McGraw Hill (excluding K-12)[1]

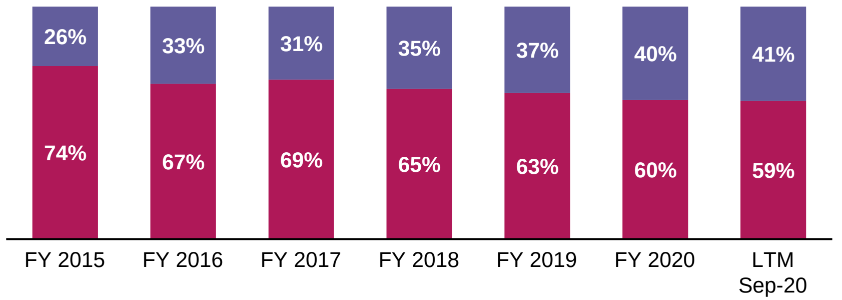


- Digital Billings in LTM 9/30/20 were more than $900M as compared to $600M in FY15
- Digital trajectory is accelerating in current COVID-19 environment
- Business is prepared to capture incremental digital demand and continues to work closely with educators and learners to facilitate digital transition
- Inclusive of K-12 (where digital composition varies from year-to-year driven by the core basal adoption calendar), digital was 58% of total Billings in LTM 9/30/20

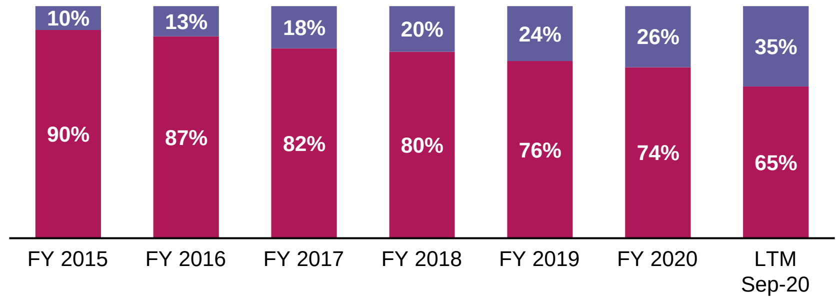
Higher Education



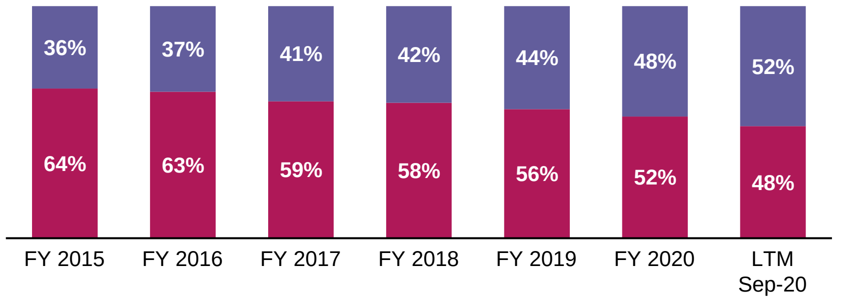
K-12



International



Global Professional[2]



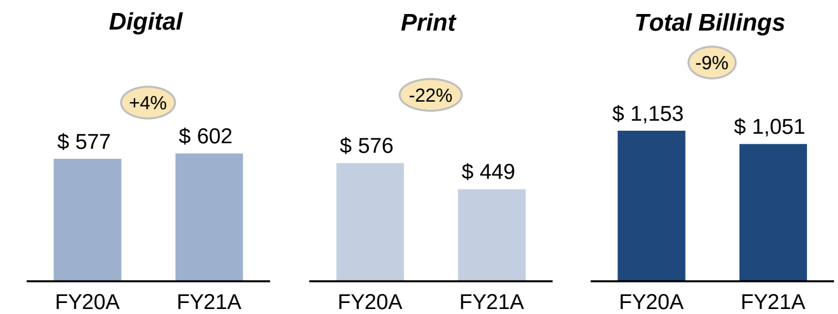
(1) Total digital Billings adjusted to exclude K-12 which is impacted by core basal adoption calendar and resultant product mix from year-to-year
(2) Historical periods reflect Global Professional recast

McGraw Hill Fiscal H1 2021 Results

- Total Billings and Adjusted EBITDA performance in H1 were positively impacted by strong digital Billings growth (+17% excluding K-12) offset by an expectedly smaller K-12 adoption market and COVID-19 related impact on print Billings
  - International Billings recovered in fiscal Q2 2021 after material Y/Y decline in fiscal Q1 2021
  - Higher Education and K-12 Billings recovered in fiscal Q2 2021 as expected driven by the reopening of distribution channels and school districts which allowed for product shipment
- Digital Billings growth driven by Higher Ed (+18%), Global Professional (+4%) and International (+29%) despite a challenging environment
  - Digital Billings grew to 71% of total Billings (excluding K-12) in fiscal H1
  - K-12 digital Billings declined 15% Y/Y inline with broader Billings decline driven by new adoption calendar and hybrid (as opposed to digital replacement) offerings
- Market share[1] gains continue in Higher Education and K-12
- Adjusted EBITDA increased despite expectedly smaller K-12 adoption market opportunity and COVID-19 related gross profit impact from reduced Print sales
- Cost savings program is fully operational and benefited H1 (<$10M impact in the period)

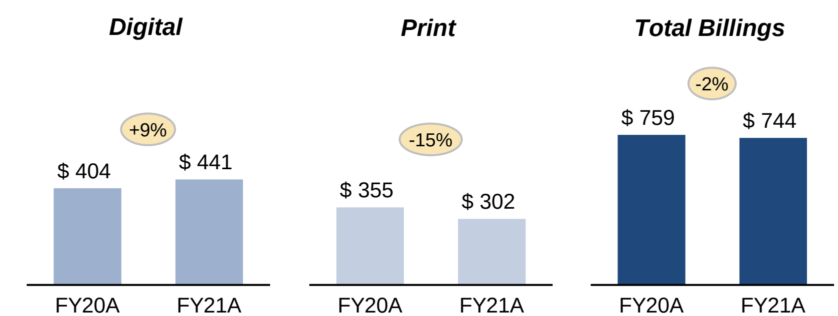
Year-to-Date September

($ in Millions)



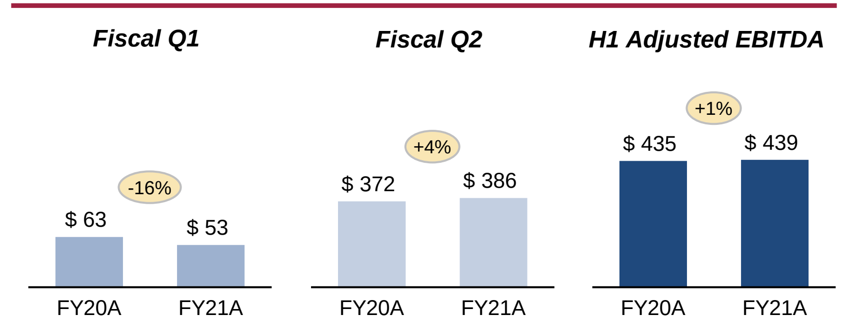
Fiscal Q2

($ in Millions)



Adjusted EBITDA

($ in Millions)



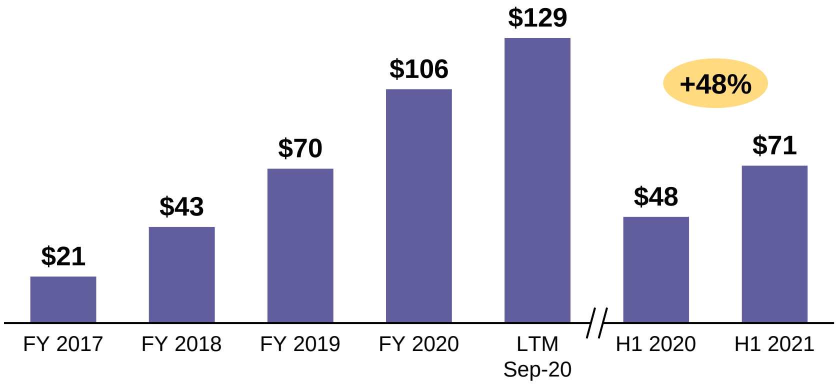
(1) Market share calculation based on LTM Sep 20 vs LTM Sep 19; market share as measured by AAP for K-12 and MPI for Higher Ed.

Digital Ed Tech Highlights

All Digital KPIs Support Strong Performance

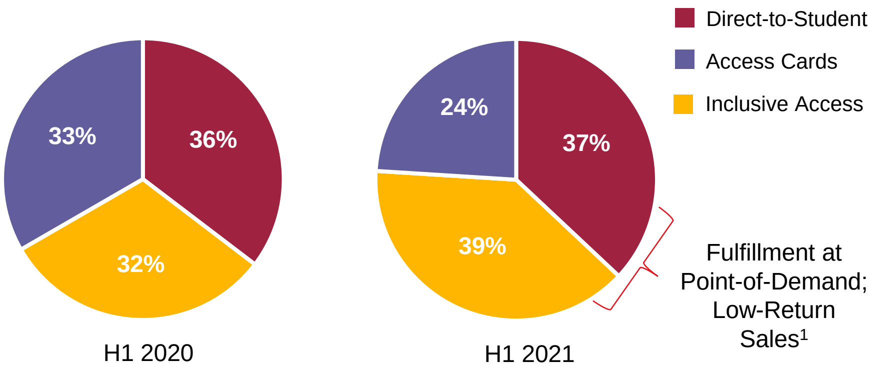
All numbers are in millions

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



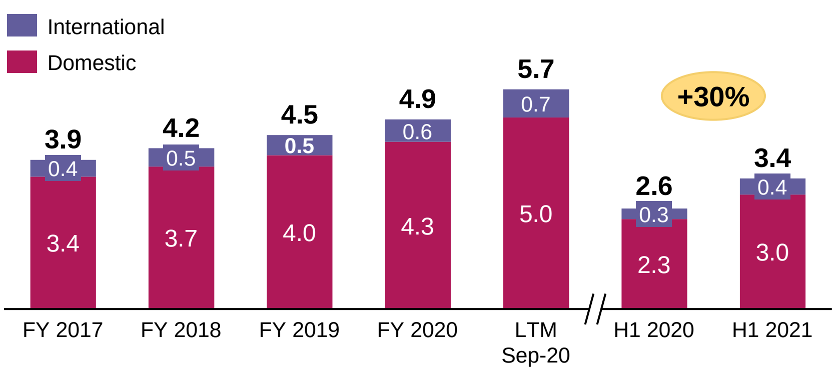
Inclusive Access growth accelerated with the number of participating campuses exceeding 1,300

Connect Paid Activations Delivery (U.S. Higher Ed)



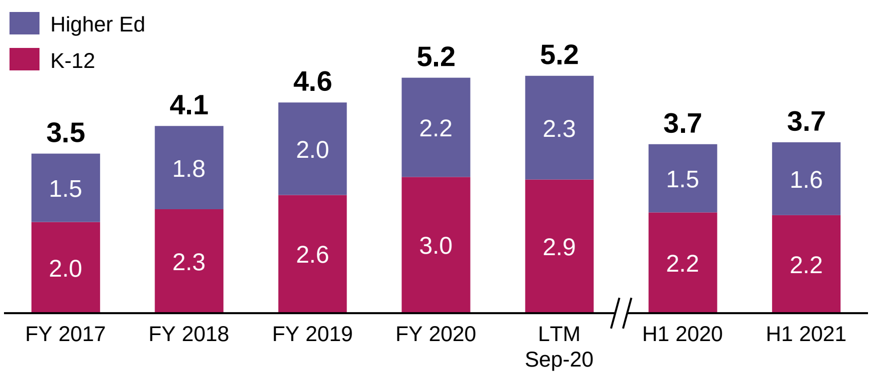
Institutional sales increase sell-through and drive digital growth
More than 3/4 of activations are from low-return products

Connect Paid Activations



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

ALEKS Unique Users (Global Higher Ed and K-12)[2]



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) Includes International ALEKS unique users

Operating Expense and Capital Deployment

Expense Management Supports Ongoing Investment

Operating Expense

- Expenses continue to be tightly managed to facilitate ongoing business investment and improve profitability
- The Company has benefited from reduced discretionary and variable spend in a COVID-19 environment with additional benefit expected from the recently implemented cost rationalization program

$100 Million Cost Rationalization Program

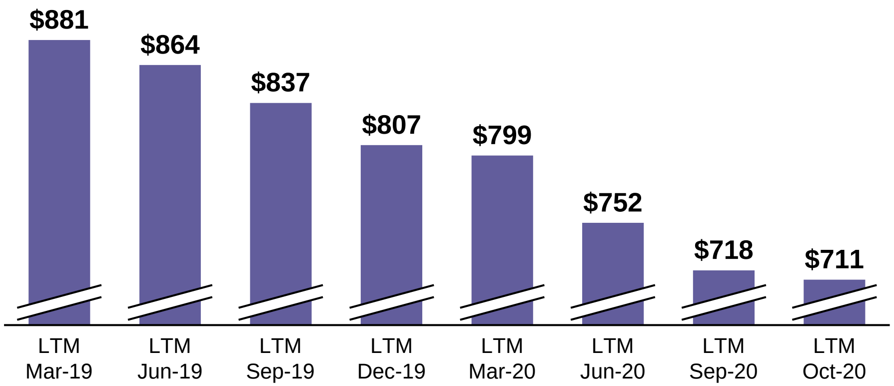
- More than $100 million of run-rate EBITDA savings identified and being implemented
  - All savings to be fully actioned by end of the fiscal year
  - More than $50 million actioned to date
  - Expect $40 million to be realized in fiscal year 2021 with less than $10 million realized through Sep-20
  - Expect one-time costs of $35 to $45 million to achieve run-rate savings
  - The run-rate savings relate to workforce rationalization and optimization, vendor management, facilities rationalization, digital and technology optimization and other opportunities

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

Operating Expense Trending[1]

($ in Millions)



Run-rate savings realized from cost rationalization program implemented will be $40 million in FY21 and more than $100 million in FY22

Product Investment and Enhancement Continues

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

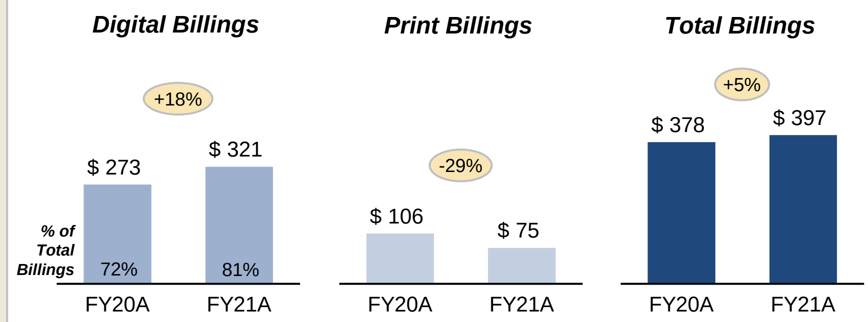
(1) Excludes variable annual incentives and pre-publication investment

Higher Education Fiscal H1 2021 Results

- Digital Billings up 18% to $321 million in H1 and up 19% in Q2 driven by direct-to-student ecommerce and Inclusive Access
  - *Connect* Paid Activations of 3M, up 27% in H1
  - Inclusive Access Billings of $71M, up 48% Y/Y as participating campuses grew to more than 1,300
- Digital growth expected to continue as instructors and students address the need for hybrid learning, digital courseware is embedded in course delivery and the value proposition resonates with affordability initiatives such as Inclusive Access
- With inflection point achieved (Digital Billings growth exceeding Print Billings decline), total Billings in H1 ***up 5%*** to nearly $400 million despite 29% decline in print Billings to $75 million
- Gross sales growth for H1 were 977 bps favorable to the rest of the industry with sales continuing to shift from Q1 to 'low-return' sales[1] in Q2 aligned with the start of the semester; returns were favorable to prior year in H1 with favorability expected to continue
  - Actual product returns continued to decline as expected, down $6M (13% improvement) vs prior year
- Market share[1] gains continue (+155bps to 25% for LTM Sep-20)
- Early data indicates mid-single digits enrollment decline which was more than offset by increased digital sell through; upside exists with prospective enrollment growth especially with new students who delayed enrollment due to COVID-19
- H1 Adj. EBITDA performance improvement driven by flow through associated with Billings growth and actioned cost savings

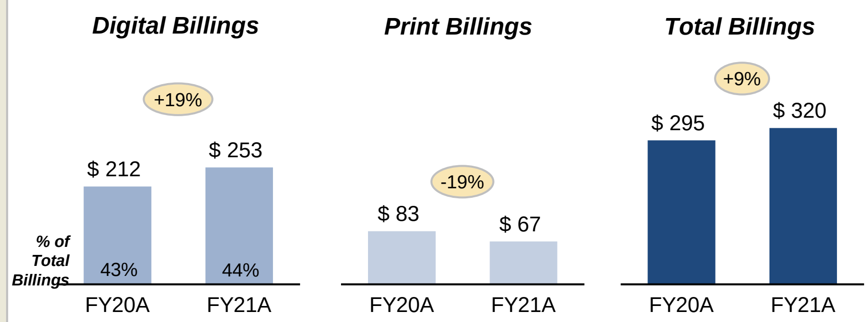
Year-to-Date September

($ in Millions)



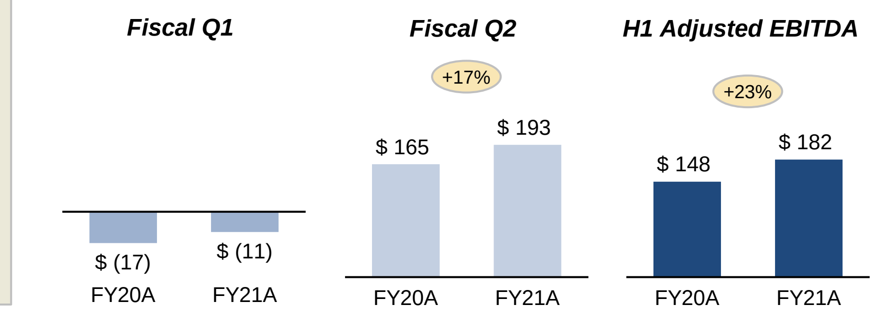
Fiscal Q2

($ in Millions)



Adjusted EBITDA

($ in Millions)



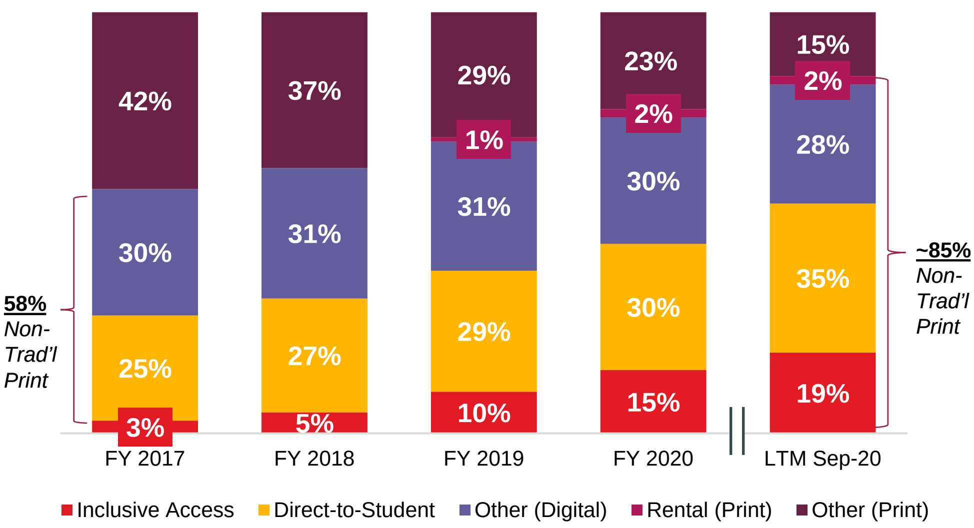
(1) Market share calculation based on LTM Sep 20 vs LTM Sep 19; market share as measured by MPI. MPI tracks Higher Ed revenue of new materials only for six select publishers (McGraw Hill, Pearson, Cengage, Wiley, Oxford and Macmillan. It does not include sales data from other publishers or distributors and does not track used, OER or other sales/rental from other sources.

Higher Education Business Evolution

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

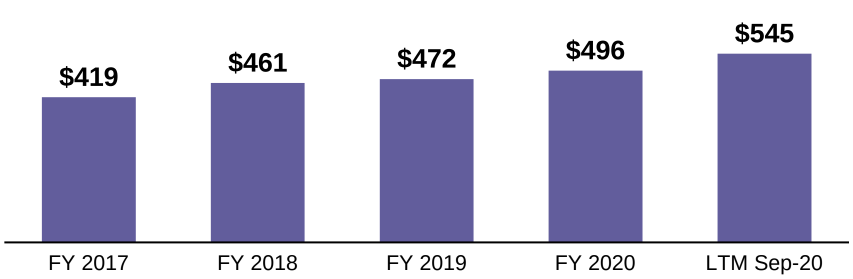
- The ongoing business evolution away from traditional print creates efficiency opportunities which have been accelerated in COVID-19 environment
  - Lower inventory levels along with reduced physical product returns and costs associated with excess channel ordering
  - Lower earnings volatility risk 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)
- Digital and Rental represent approximately 85% of net sales today as compared to 58% in FY 2017
- <u>**Meaningful and growing digital installed base**</u> of nearly 6M *Connect* global activations and 2.3M *ALEKS* users in LTM Sep 2020 will support the ongoing evolution

Higher Ed Product Mix (% Net Sales)



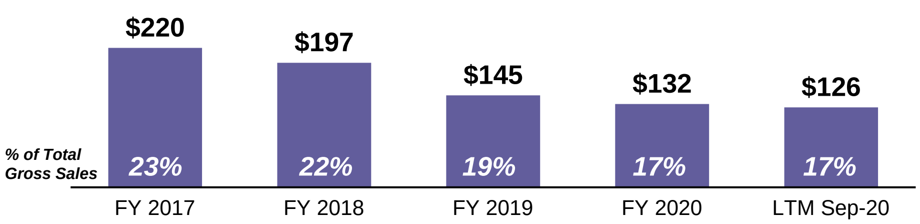
Higher Ed Digital Billings

($ in Millions)



Higher Ed Actual Returns

($ in Millions)

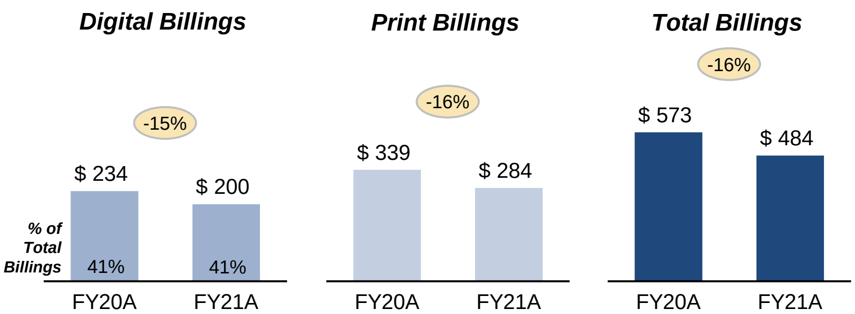


K-12 Fiscal H1 2021 Results

- Performance impacted by expectedly smaller on-list adoption market opportunity and material Open Territory win in Chicago in prior year which impacts comparability Y/Y
- Performance remains strong in TX Reading (9-12) adoption
- Total market opportunity down 21% for fiscal H1 period
  - MH K-12 total Billings down 16%
  - Share[1] gains in both adoption and open territory markets
  - Delayed purchasing in multi-year CA adoptions
  - More than 85% of fiscal year revenue recognized in H1
- Digital Billings declined 15% Y/Y broadly inline with the total Billings decline; product mix and hybrid nature of core basal product offerings will continue to drive nonlinear digital growth
- Sales shifted from fiscal Q1 to late in fiscal Q2, as expected, after district closures and delayed shipments earlier in the fiscal year
- On-list adoption market stability forecast through fiscal year 2023
- Adjusted EBITDA declined 17% ($43M) 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

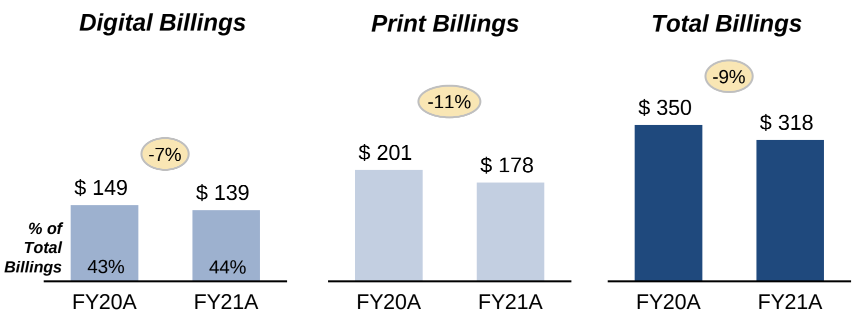
Year-to-Date September

($ in Millions)



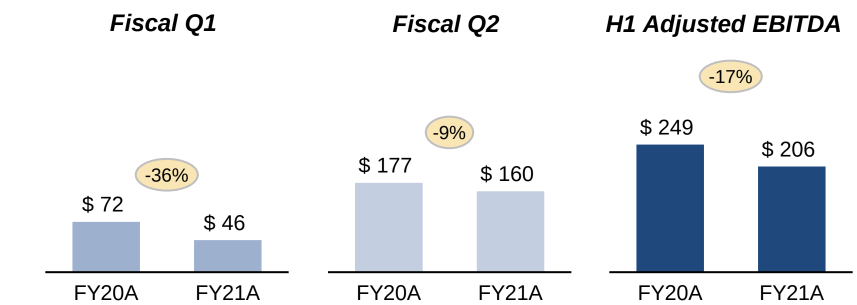
Fiscal Q2

($ in Millions)



Adjusted EBITDA

($ in Millions)



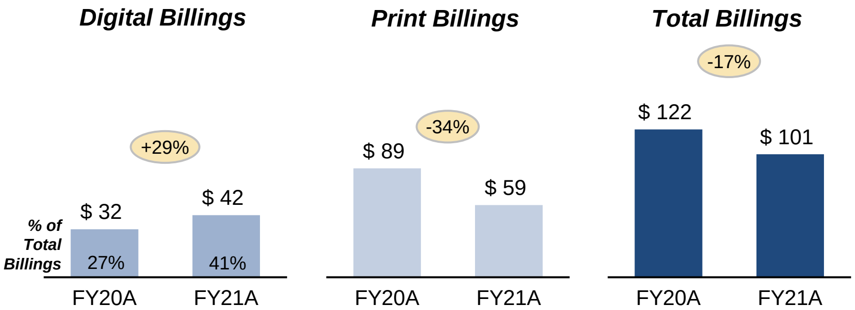
(1) Market share as measured by AAP (Association of American Publishers).

International Fiscal H1 2021 Results

- Following a COVID-19 driven ~40% Billings decline in fiscal Q1, Billings stabilized in late Q2 and were down 3% Y/Y in fiscal Q2
- **Digital growth meaningfully accelerated** with nearly 30% growth in Q2 to more than 40% of total Billings, contributing to 500bps gross margin improvement
  - Digital growth globally, particularly Canada and the Middle East, primarily through *Connect* sales
  - *Connect* activations of >400k, up ~50% Y/Y
  - *ALEKS* unique users up more than 50% Y/Y
- Operations continue to be streamlined with ongoing assessment of go-to-market strategy across multiple geographies which will facilitate material cost savings and enhance digital focus
- Digital growth will shift sales from Q3 to Q4 in line with shift experienced in domestic Higher Education segment; combination of reduced need for calendar year sales incentives and continued transition to digital will facilitate more profitable sales in fiscal Q4
- Adjusted EBITDA growth driven primarily by proactive management of operating expenses and the timing of bad debt and inventory provisions as well as margin improvement associated with the ongoing transition to digital

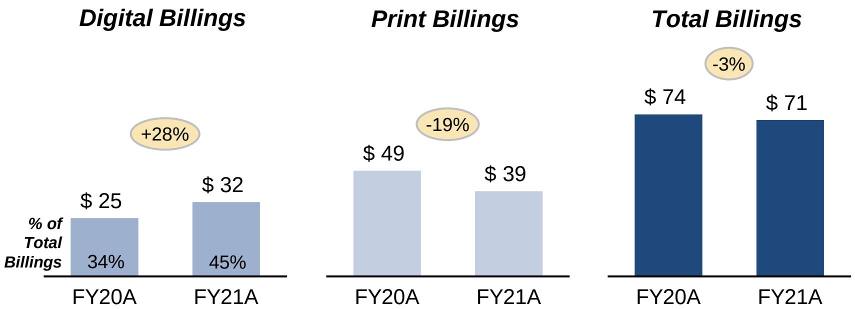
Year-to-Date September

($ in Millions)



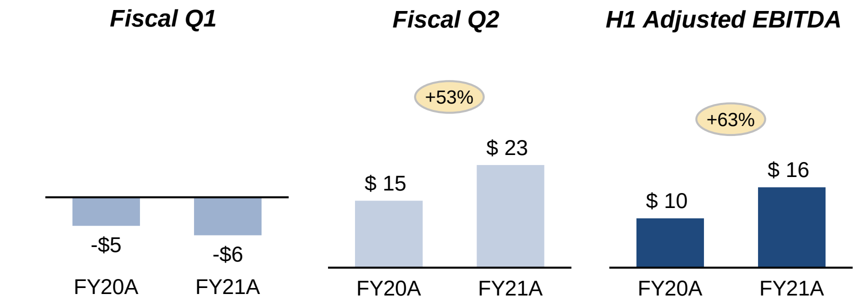
Fiscal Q2

($ in Millions)



Adjusted EBITDA

($ in Millions)

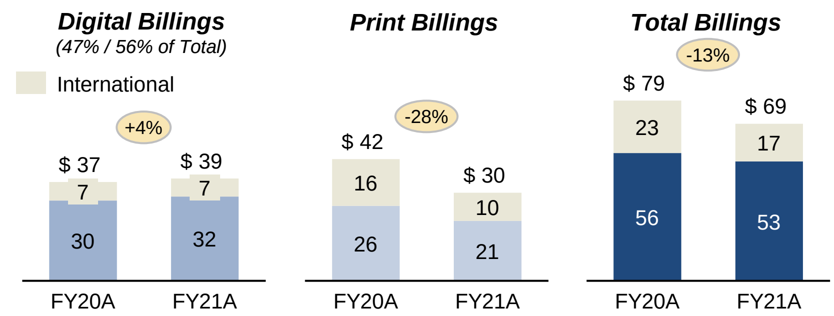


Global Professional Fiscal H1 2021 Results

- H1 print Billings materially impacted by COVID-19 with distribution channel (i.e., brick and mortar) still not fully operational
- Business disruption from COVID-19 driving increased eBook and ecommerce sales; expect print rebound as distribution channel partners resume full operations
- Medical & Technical Billings, which represent approximately 75% of total Billings and are approximately 75% digital, continue to be strong
- *Access* performance continues to be strong with new and upgrade sales ahead of prior year and inline with expectations – fiscal Q2 negatively impacted by timing of renewals and cycling against strong prior year multiyear renewals
  - *AccessMedicine* site visits up 14% through LTM 9/30 driven, in part, by the impact of COVID-19
  - *Access* annual renewal rates[1] continue to be in excess of 90%
- New global operating structure working well despite COVID-19 challenges; global sales force increasing *Access* pipeline
- 35% more titles (155 vs. 114) to be released in H2 (vs. PY) driving incremental Billings opportunity
- Proactive provision expense for bad debt and inventory driven by COVID-19 uncertainties and flow through on Billings decline driving Adjusted EBITDA decline

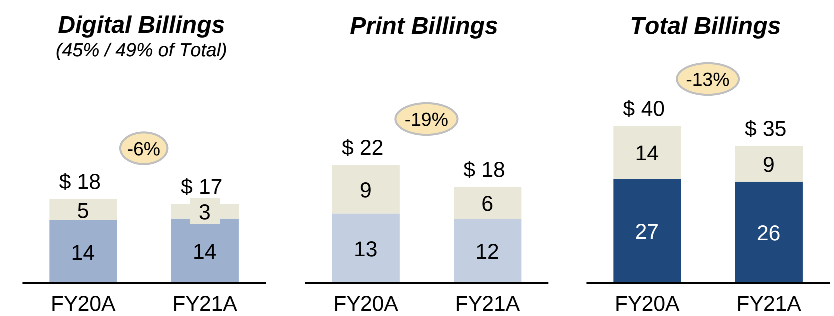
Year-to-Date September

($ in Millions)



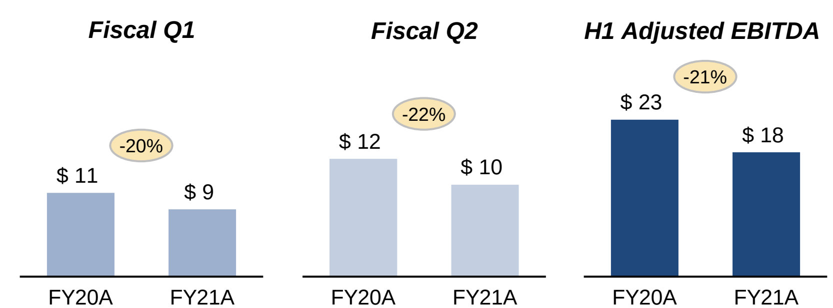
Fiscal Q2

($ in Millions)



Adjusted EBITDA

($ in Millions)



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

Capital Structure and Liquidity

($ in Millions)	9/30/19[1]	9/30/20	11/23/20[2]
Cash Balance ***(net of securitization)***	**$229**	**$290**	**$387**
Receivable Securitization Drawn	95	70	45
Ending Cash Balance	**$324**	**$360**	**$432**

Cash balance will build in normal course through December and is expected to be higher at fiscal year end (vs. PY), benefited by lower capital expenditures, lower cash interest and working capital improvements

- Cash balance of $360M at 9/30/20 as compared to $324M at 9/30/19 even after taking into account increased principal payments, lower securitization draw, higher real estate capital expenditures and expenses related to terminated merger
- $165M total principal prepayments since 2017 including $44M principal payment in March 2020
- Strong fiscal Q2 cash balance after seasonal peak-to-trough period was positively impacted by performance, improved collections and ongoing working capital initiatives
- $350M committed line of credit remains undrawn
- Recently renewed receivable securitization program, maturing in Aug 2023, remains highly effective in offsetting seasonal cash cycle with seasonal availability up to an additional $100M (total facility $150M)
- Total committed liquidity of $450M (revolver and seasonally available securitization)

McGraw Hill Debt Profile: 9/30/20

($ in Millions)

Senior Secured Term Loan due 2022	**$1,595**
Revolving Credit Facility due 2021 ($350M)	-
Total First Lien Indebtedness	**$1,595**
Less: Cash and Cash Equivalents	(360)
Net First Lien Indebtedness	**$1,235**
Last Twelve Months Adjusted EBITDA	**$377**
Net First Lien Indebtedness / Adjusted EBITDA[3]	**3.3x**
Senior Unsecured Notes Due 2024	400
Net Total Indebtedness-MH Global Education	**$1,635**
MHGE Parent Term Loan Due 2022	**$180**
Net Total Indebtedness – MHE Inc.	**$1,815**
Total Net Indebtedness / Adjusted EBITDA	**4.8x**
pro forma for actioned cost savings[1]	**4.3x**

Securitization outstanding at 9/30 ($70M) is excluded from debt profile as they are excluded from the definition of debt under the first lien credit agreement
Revolving credit facility outstanding exclude $4.3M of letters of credit issued

(1) excludes restrictive cash (2) Bank cash balance (3) 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 9/30/20 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 (equal to $48M) that are permitted under Credit Agreement and Indenture.

Summary

- Successful 'back-to-school' campaign with significant digital Billings growth to more than $900 million; Adjusted EBITDA increased in H1 Y/Y to LTM $377 million
- Performance was strong in the seasonally important fiscal Q2 period despite an expectedly smaller K-12 adoption market and material impact from COVID-19 on legacy print business
- Approximately 2/3 of fiscal year Billings recognized in H1 with market share growth for both Higher Ed and K-12 (while trending against material Open Territory win in Chicago in prior year); favorable Y/Y comparison beginning in fiscal Q4 for International segment given early impact of COVID-19
- $100 million permanent run-rate savings program launched; program will provide $40 million of savings in fiscal year 2021
- Digital growth of 17% (excluding K-12) in H1 Y/Y underpinned by global *Connect* activations growth of 30% to approximately 6 million in LTM period
- Higher Education reached inflection point with digital Billings growth more than offsetting print Billings decline
- International significantly impacted by COVID-19 across all regions (as expected) through early fiscal Q2; Billings stabilized in late fiscal Q2 with strong digital growth accelerating transition to a higher margin business
- Global Professional experienced strong digital subscription performance despite timing impact offset by lower print Billings driven by the temporary closure of brick-and-mortar locations in distribution channel due to COVID-19
- Cash balance in excess of $400 million today and will grow throughout fiscal Q3
- Net first lien leverage was 3.3x with total company net leverage of 4.8x at Sep-20

Appendix:
Supplemental Disclosure

Free Cash Flow

($ in Millions)

Cash Flow Comparison	Six Months Ended Sep 30, FY20	FY21	Y/Y $
Adjusted EBITDA	**435**	**439**	**4**
Δ in Accounts Receivable, net	(265)	(258)	7
Δ in Inventories, net	27	18	(9)
Δ in Prepaid & Other Current Assets	(31)	(32)	(1)
Δ in Accounts Payable and Accrued Expenses	76	54	(22)
Δ in Other Current Liabilities	27	21	(7)
Δ in Reported Working Capital Accounts	**(166)**	**(197)**	**(31)**
Adjustments to Derive Operational Working Capital[1]	41	35	(5)
Δ in Adjusted Working Capital Accounts	**(125)**	**(162)**	**(37)**
Adjusted EBITDA less Δ in Adjusted Working Capital Accounts	**310**	**277**	**(32)**
Pre-publication Investment	36	35	(1)
Restructuring and Cost Savings Implementation Charges	(8)	(9)	(1)
Sponsor Fees	(2)	(2)	-
Cash Paid for Interest	(82)	(75)	7
Operational Working Capital Adjustments and Other[2]	(27)	(6)	22
Cash (used for) provided by operating activities	**226**	**220**	**(6)**

Adjusted EBITDA less Δ in Working Capital Accounts per above	310	277	(32)
- Capital Expenditures & Payment of Capital Lease Obligations	(40)	(24)	17
Operating Free Cash Flow[2]	**270**	**254**	**(16)**

Cash Balance at Beginning of Period	**189**	**187**	**(2)**
Cash (used for) provided by operating activities	226	220	(6)
Net Debt (Payments) / Receipts	6	16	10
Pre-publication Investment	(36)	(35)	1
Capital Expenditures	(37)	(18)	20
Investments, Acquisitions & Divestitures, net	3	-	(3)
Payment of Capital Lease Obligations	(3)	(6)	(3)
Equity transactions, net	(2)	-	2
Other	(2)	(5)	(3)
Cash Balance at End of Period	**344**	**360**	**17**

Key Variance Drivers

– *Accounts Receivable:* lower Billings and improved collections associated with ongoing shift to point-of-demand, low return product sales in Higher Ed offset by K-12 timing increase

– *Inventories:* change attributable to higher K-12 inventory levels at Mar-19 in advance of larger market opportunity

– *Accounts Payable / Accrued Expenses:* change attributable to lower balances in FY21 driven by lower business expense

– *Capital expenditure:* NYC build-out in FY2020 drove higher costs in prior period

(1) Includes the impact of certain non operational, Adjusted EBITDA or capital structure working capital items (i.e., 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	Q2
Billings													
International	$ 241	$ 47	$ 79	$ 57	$ 32	$ 214	$ 48	$ 74	$ 60	$ 19	$ 200	$ 30	$ 71
Global Professional	$ 165	$ 38	$ 41	$ 59	$ 27	$ 164	$ 39	$ 40	$ 53	$ 27	$ 159	$ 34	$ 35
Adjusted EBITDA													
International	$ 11	$ (10)	$ 21	$ 3	$ (12)	$ 3	$ (5)	$ 15	$ 9	$ (21)	$ (3)	$ (6)	$ 23
Global Professional	$ 48	$ 9	$ 14	$ 22	$ 1	$ 45	$ 11	$ 12	$ 20	$ (0)	$ 43	$ 9	$ 10

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.

Adjusted EBITDA Reconciliation

($ in Millions)

	Year Ended March 31,			LTM September 30,
	2018	2019	2020	2020
Net Income	$ (63)	$ (154)	$ (135)	$ (47)
Interest (income) expense, net	178	184	188	182
Provision for (benefit from) taxes on income	(7)	11	12	11
Depreciation, amortization and plate investment amortization	228	220	231	212
EBITDA	$ 335	$ 261	$ 295	$ 357
Change in deferred revenue (a)	142	85	77	43
Change in deferred royalties (b)	(22)	(10)	(17)	(23)
Change in deferred commissions (c)	1	1	0	1
Restructuring and cost saving implementation charges (d)	15	7	22	26
Sponsor fees (e)	4	4	4	4
Transaction costs (f)	-	7	32	21
Other (g)	21	41	35	21
Pre-publication investment cash costs (h)	(97)	(98)	(74)	(73)
Adjusted EBITDA	$ 400	$ 298	$ 373	$ 377

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 incurred in connection with headcount reductions and other expense reduction efforts 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 twelve months ended September 30, 2020, the amount represents (i) non-cash incentive compensation expense of $8.8 million, (ii) International trademark impairment of $3.0 million, (iii) change in deferred real estate and lease incentives of $3.7 million primarily related to the new headquarters at 1325 Ave of Americas and (iv) other adjustments required or permitted in calculating covenant compliance under our debt agreements.

For the fiscal 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.

For the fiscal year ended March 31, 2019, the amount represents (i) non-cash incentive compensation expense of $17.8 million, (ii) change in deferred real estate and lease incentives of $1.3 million, and (iii) other adjustments required or permitted in calculating covenant compliance under our debt agreements.

For the fiscal year ended March 31, 2018, the amount represents (i) non-cash incentive compensation expense of $17.7 million, (ii) elimination of a $5.8 million gain on disposal of the K-12 Canadian business, (iii) elimination of a $4.9 million gain related to sale of an equity method investment, 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.

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 (Complete)	*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; International shift will occur* *Key Quarter for Professional*	• October and November are key returns months; lower returns expected • Higher Education Billings will continue to shift from FY Q3 to FY Q4 as will International Billings • Professional Billings have approximated 30 – 35% of FY historically
Fiscal Year Q4 Jan - Mar	*Inclusive Access Growth* *Material Quarter for HE*	• Expect material International and Higher Ed Billings in quarter with continuing shift from Q3 to Q4 • Inclusive Access growth will continue (60%+ growth in Q4 FY20) • Seasonally low quarter for K-12 and Professional