McGraw-Hill Education

Q2-2016 Update

August 9, 2016

McGraw Hill Education

Final

This presentation has been prepared for existing debt holders of McGraw-Hill Global Education Holdings LLC and MHGE Parent, LLC .

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 development of 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 development of 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 the same industry. Non-GAAP financial measures should not be considered as alternatives to income from continuing operations, income from operations or any other performance measures derived in accordance with U.S. GAAP as measures of operating performance or cash flows as measures of liquidity. Non-GAAP financial measures have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for 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 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.


Business Highlights

First Half 2016 Performance Highlights

Strong First Half 2016 Performance Across McGraw-Hill Education

- Strong YTD 2016 results for McGraw-Hill Education overall
  - Ongoing print to digital transition drove digital Billings growth in Higher Ed
  - Solid execution by K-12 in K-8 California English Language Arts (ELA) adoption
  - Purchase timing is shifting Billings between quarters in both Higher Ed and K-12
- Adaptive offerings continued to drive double-digit growth in unique users and paid activations
  - Company surpassed 10 billion cumulative student interactions across adaptive learning platforms, a major competitive milestone
- International and Professional impacted by timing but in line with expectations on a constant currency basis; outlook remains favorable
- Completed very successful debt recapitalization and refinancing in May, lowering average interest rates and simplifying capital structure

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

First Half 2016 Performance Highlights (continued)

Strong Start to K-12 Season

K-12 Overview

- New adoption market share in 2016 exceeded expectations in cyclically smaller adoption year
  - ~57% market share in California K-8 ELA (~70% K-5) with ~42% nationwide adoption share
  - Smaller anticipated new adoption market in 2016 originally expected to drive decline in 2016 K-12 Billings has now been partially offset by impressive CA performance
- Earlier than anticipated ordering by California caused Billings to shift from Q3 to Q2
  - Expect lower Q3-16 Billings Y/Y due to early California orders in Q2-16 and strong Texas math and social studies performance in Q3-15
- Strong Billings growth overall with digital Billings impacted by product mix
  - Nearly all programs include a blend of both print and digital learning solutions
  - Math and social studies sales in 2015 were more weighted towards digital as compared to reading/literacy sales this year which are less digital

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

First Half 2016 Performance Highlights (continued)

Robust Upcoming New Adoption Market

K-12 Overview

- Expect new adoptions to be strong over 2017-2019 period after an anticipated decline in 2016
  - Positioned to compete effectively in all major new adoptions
- Significant key upcoming new adoption opportunities:
  - 2017: CA ELA (K-8) (2nd yr.); FL Social Studies (K-12); MS ELA (K-12); NC and NM Social Studies (K-12)
  - 2018: CA ELA (K-8) (3rd yr.); CA Social Studies (K-8)(1st yr.); FL Science (K-12); OK Math (K-12) (moved from 2017); TN Science (K-12)
  - 2019: CA Science (K-8) (1st year); CA Social Studies (K-8)(2nd year); FL Math (K-12); OK ELA (K-12); TX ELA (K-12) (likely moved from 2018)
- Continue to increase new adoption participation rate from ~75% in 2015 to nearly 100% in 2018
  - Participated in 87% of available market in 2016
  - Developing programs more efficiently and cost effectively in a digital environment to meet the demands of individual adoption opportunities

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

First Half 2016 Performance Highlights (continued)

Digital Transition Continues in Higher Ed

Higher Ed Overview

- Multi-year transition to digital learning solutions continues for Higher Ed
  - Digital usage and digital Billings are increasing at double-digit rates
  - Digital sales largely complementary with some print textbook replacement
  - Opportunity to disintermediate a significantly large used and rental market
- Print Billings continued to decline primarily due to the intended extension of front-list publishing cycles and more efficient and later ordering by distribution partners
  - Fewer new editions and revisions of existing titles led to increased used/rental purchases
  - Expect to strategically revise aging copyrights resulting in larger front lists beginning in 2017
- Seasonality continues to change as Billings are shifting from Q2 to Q3 and from Q4 to Q1
  - Growing direct-to-student e-commerce sales occur when school starts
  - Retailers, who typically order in advance, are waiting for increased visibility on print sell-through

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

First Half 2016 Performance Highlights (continued)

Digital Transition Continues in Higher Ed

Higher Ed Overview

- Returns have declined Y/Y
  - More efficient ordering by distribution partners leads to lower returns
  - Our sales reps are compensated on net sales (rather than gross sales) which, along with more efficient distribution partner ordering, leads to less print churn
  - Transition to digital and lower exposure to print driving lower returns
- More favorable print profile, distribution partner and sales rep alignment and growing digital business should continue to drive net sales market share gains for Higher Ed

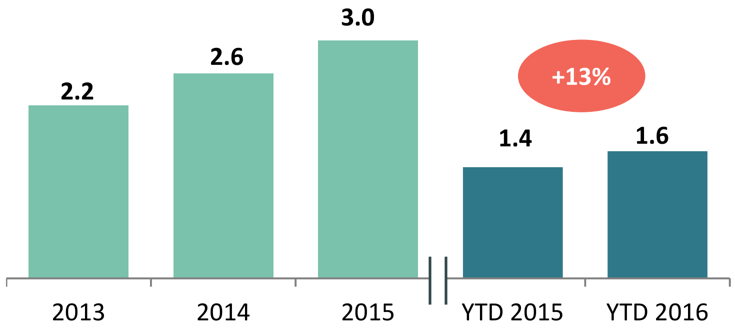
Note: In compliance with SEC interpretative guidance, we now refer to 'Adjusted Revenue' as 'Billings' throughout the presentation

Digital Highlights

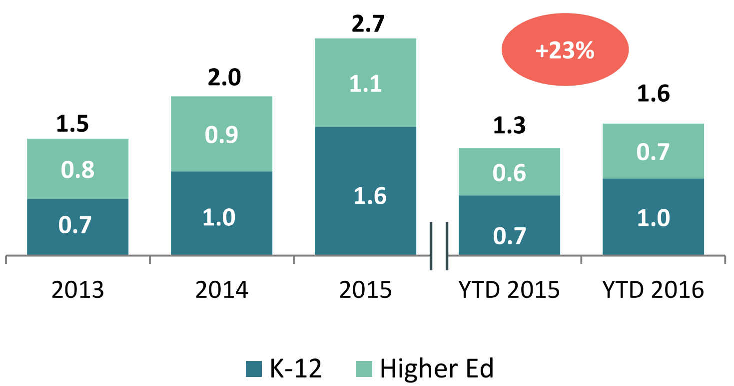
10 Billion+ Cumulative Adaptive Interactions Strengthens Competitive Advantage

(Millions)

CONNECT/LEARNSMART PAID ACTIVATIONS (HIGHER ED)



ALEKS UNIQUE USERS (HIGHER ED & K-12)



STRONG MOMENTUM CONTINUED ACROSS MHE ADAPTIVE LEARNING PLATFORMS

- 47M assignments submitted through *Connect*, up 14% Y/Y, demonstrates growing professor and student engagement
- ~5.9B interactions (questions answered) on *LearnSmart* since 2009
- ~4.2B interactions (questions answered) on *ALEKS* since 2010
- Interactions provide a feedback mechanism of meaningful data to improve learning and drive outcomes

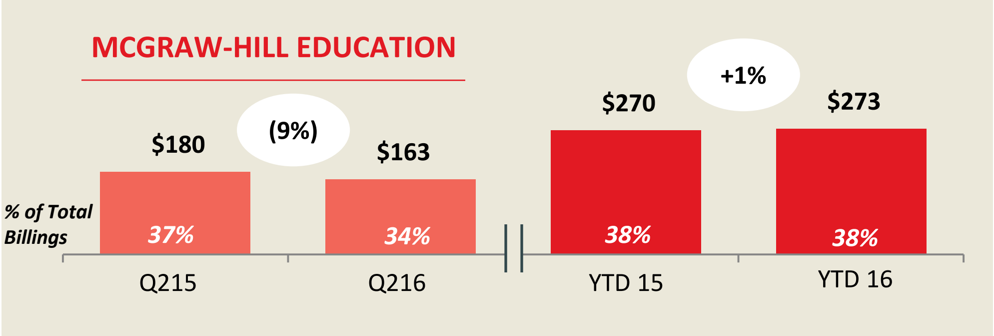
CONTINUE TO POSITION OUR ADAPTIVE LEARNING OFFERINGS FOR GROWTH

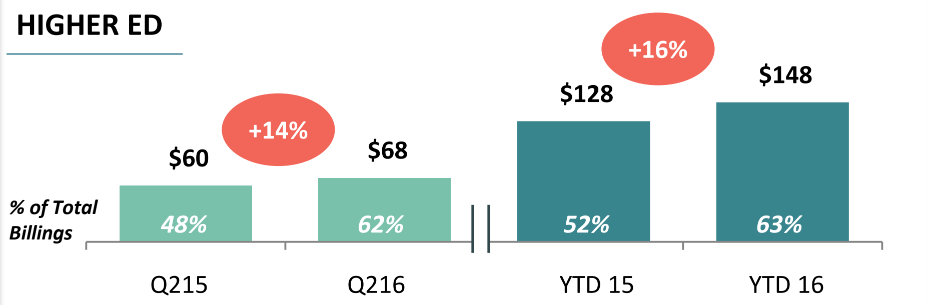
- Driving ongoing commitment to open standards with integration to major Learning Management Systems (LMS)
  - Implemented *Connect* integration with Canvas LMS in July
- Capitalizing on opportunities for innovative enterprise partnerships including 'Global Freshman Academy' with Arizona State University for *ALEKS*
  - Low-entry cost for students to trial before paying for a credited course
- Adjacent opportunities include licensing adaptive technology to the professional and corporate training markets

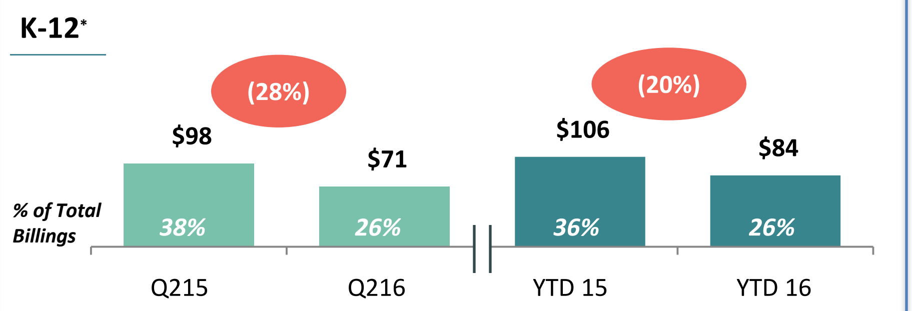
Digital Billings

Over 50% of Higher Ed Billings Now Digital; K-12 Digital % Driven by Product Mix

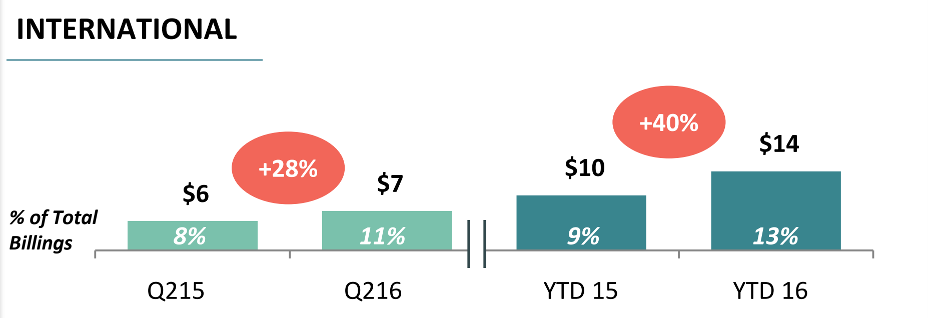
($ in Millions)

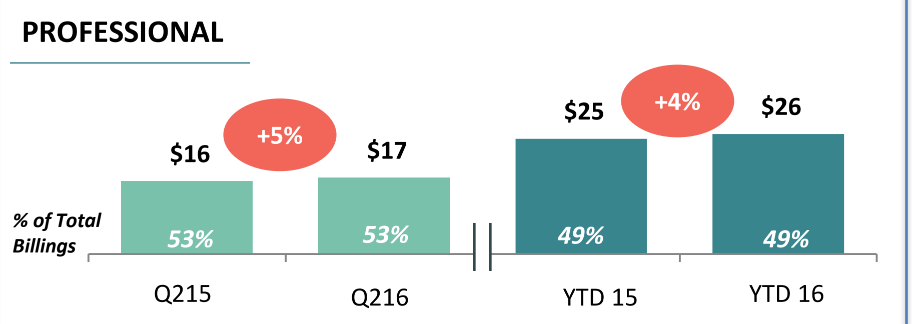






*Product mix drove decline. Please see page 5.



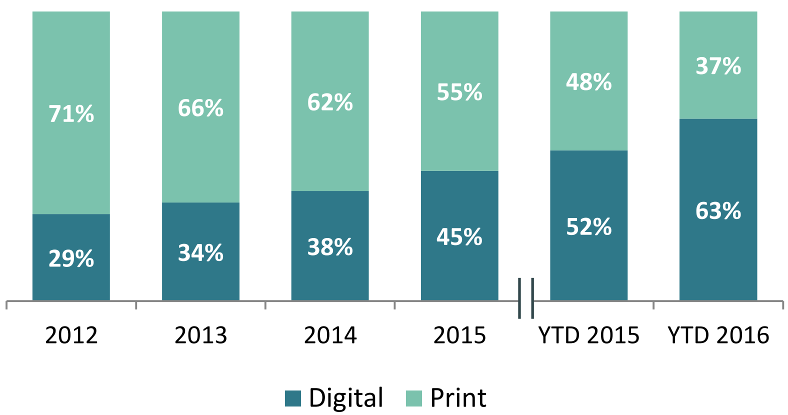


Note: In compliance with SEC interpretative guidance, we now refer to 'Adjusted Revenue' as 'Billings' throughout the presentation

Higher Ed Digital Billings

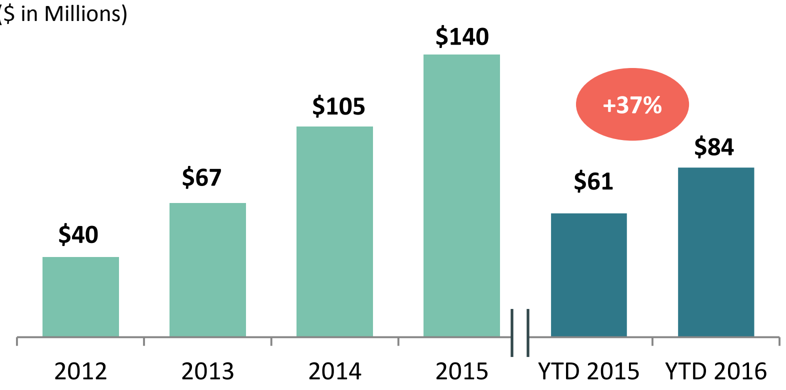
E-Commerce Sales Leading the Print to Digital Transition

DIGITAL VS. PRINT BILLINGS MIX %



E-COMMERCE BILLINGS

($ in Millions)



ROBUST GROWTH IN DIGITAL E-COMMERCE SALES

- YTD Higher Ed digital Billings expanded 1,100 bps Y/Y as a percentage of total Higher Ed Billings, from 52% to 63%
- More instructors are mandating the use of *Connect / LearnSmar*t in the classroom (increasing sell-through)
- Proprietary e-commerce channel continues to be the largest net sales distribution channel in Higher Ed
  - E-commerce Billings grew at a 52% CAGR during the 2012-2015 period
  - More than one-third of Higher Ed digital Billings are transacted through the MHE proprietary e-commerce channel
  - Peak sales for e-commerce occur closer to the start of school in January-February and August-September

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

Financial Update

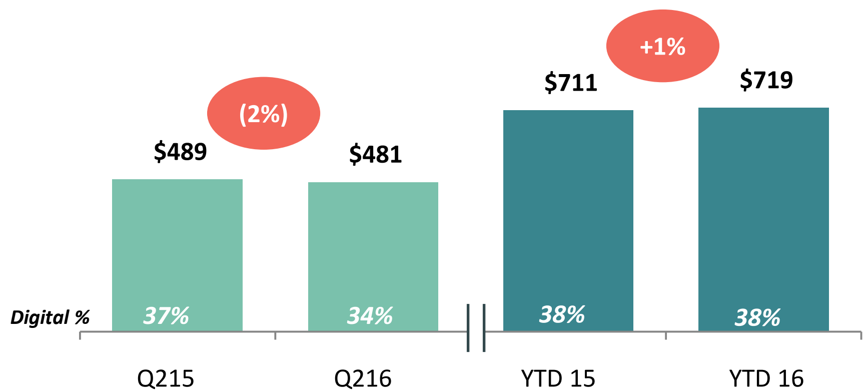
McGraw Hill Education

McGraw-Hill Education Financial Highlights

First Half 2016 Results Exceeded Prior Year

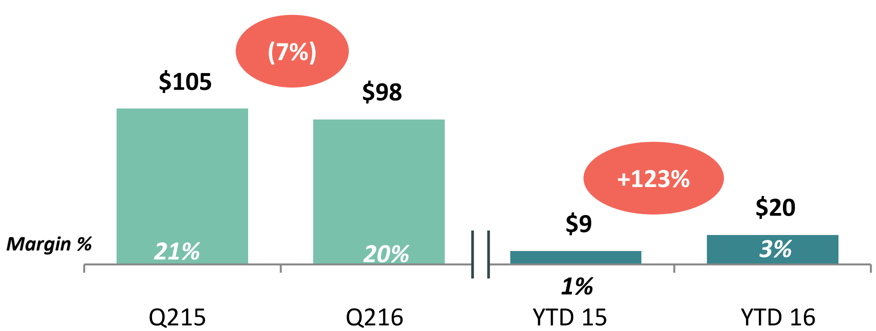
($ in Millions)

TOTAL BILLINGS



Constant FX	*(1%)*	*$483*	*+2%*	*$724*

ADJUSTED EBITDA



Constant FX	*(6%)*	*$99*	*+115%*	*$19*

STRONG REPORTED BILLINGS GROWTH DRIVEN BY K-12

- McGraw-Hill Education YTD Billings increased 1% Y/Y, 2% on constant FX
  - Strong reported K-12 revenue and Higher Ed digital Billings offset lower traditional print orders and stronger U.S. dollar
  - Strong U.S. dollar unfavorably impacted YTD Billings by $5M
- Outperformance in California ELA new adoption expected to partially offset anticipated smaller 2016 adoption market
  - Early 2016 California orders shifted Billings from Q3 to Q2
- Digital transition shifting Higher Ed purchases from Q2 to Q3
- YTD Higher Ed digital Billings increased 16% Y/Y as direct-to-student e-commerce partially offset lower traditional print orders
  - Print also impacted by digital transition as distributors tightly manage inventories and are expected to purchase closer to start of school

YTD ADJUSTED EBITDA MORE THAN DOUBLED Y/Y

- YTD Adjusted EBITDA favorability driven by share gains and accelerated order timing in California ELA and tight cost management
- Cost savings program commenced in 2013 now largely complete
  - Actioned $160M in cost savings; $140M+ realized to date

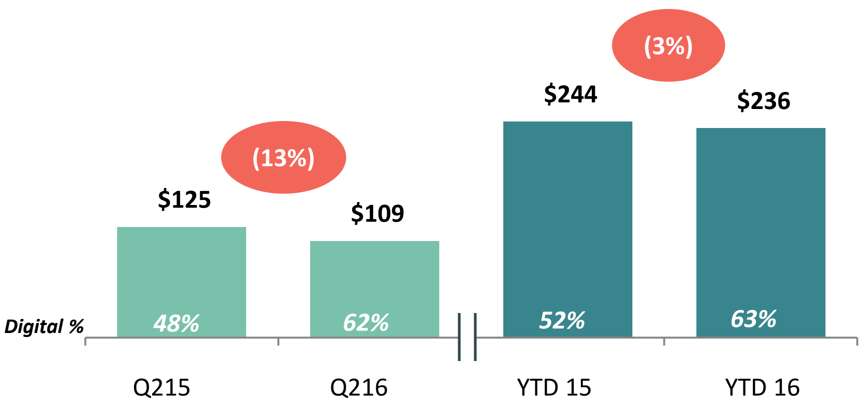
Note: In compliance with SEC interpretative guidance, we now refer to 'Adjusted Revenue' as 'Billings' throughout the presentation

Higher Ed Financial Highlights

Digital Transition Shifts Selling Season to Q3 from Q2

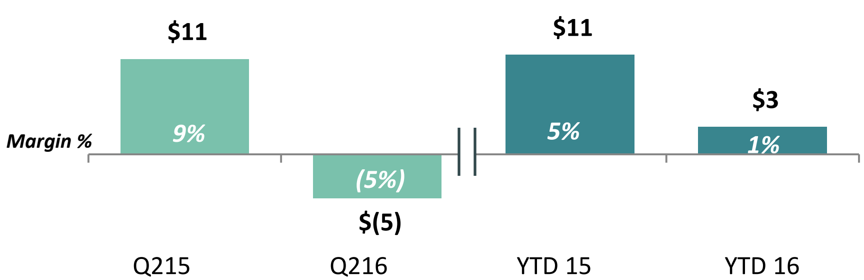
($ in Millions)

TOTAL BILLINGS



ADJUSTED EBITDA

** % Y/Y change not meaningful*



PRINT TO DIGITAL TRANSITION DRIVING ORDERS LATER IN THE SEASON

- Direct- to-student digital orders occur closer to the start of school in Q3
- Unfavorable timing of print purchases resulting from:
  - Purchase timing from one distributor at the end of June 2015 did not repeat this year in Q2
  - Smaller front list resulting from extended revision cycles
  - Retailers, who typically order in advance, are waiting for increased visibility on print sell-through before ordering
- YTD Higher Ed digital Billings increased 16% Y/Y
  - Q1-16 e-commerce sales offset lower spring orders from distributors
- Lower returns driven by transition to digital and lower exposure to print

ADJUSTED EBITDA IMPACTED BY TIMING OF SELLING SEASON

- Adjusted EBITDA performance impacted by timing of lower Q2 sales as selling season shifts to Q3
- Pre-publication investment lower Y/Y driven by spend timing more than offset by strategic reinvestment in digital

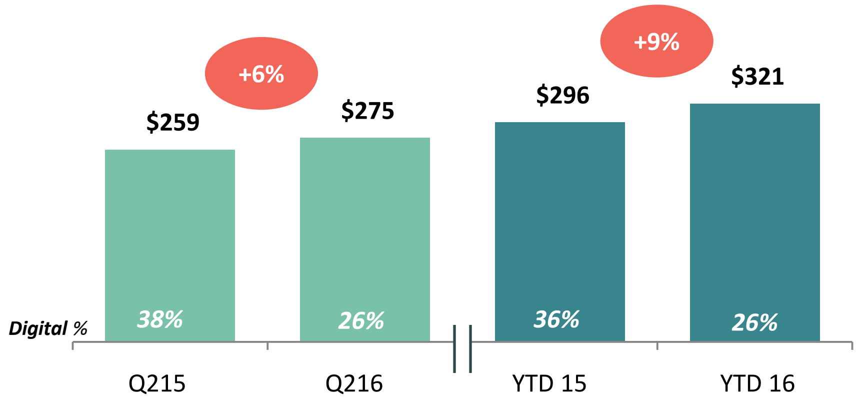
Note: In compliance with SEC interpretative guidance, we now refer to 'Adjusted Revenue' as 'Billings' throughout the presentation

K-12 Financial Highlights

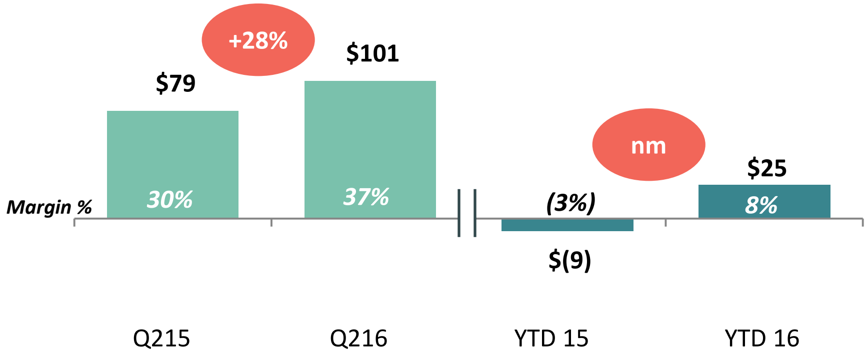
Impressive New Adoption Share in a Cyclically Smaller Market

($ in Millions)

TOTAL BILLINGS



ADJUSTED EBITDA



EARLY SUCCESS IN K-8 CALIFORNIA READING / LITERACY

- Significant new adoption capture in K-8 California Reading/Literacy (ELA)
  - Expected lower new adoption market opportunities in 2016
  - Anticipate outsized share in California to partially offset the smaller new adoption market
  - Only 35% of the three year ELA purchases now estimated in 2016 vs. original company estimate of 50% - anticipate increased purchases in 2017-2018
- Billings favorably impacted by timing of CA orders which were earlier than prior year new adoptions (shifts from Q3 to Q2)
- Solid results also in SC and TX social studies, UT reading and third year CA math
- Digital Billings influenced by product mix
  - Reading / literacy is less digital than math and social studies
- Open territory sales occur later in the season; Limited visibility until Q3

YTD PROFITABILITY DRIVEN BY SUCCESS IN CALIFORNIA

- Strong share gains and accelerated order timing in California more than offset higher print and sampling costs
- Pre-publication investment lower Y/Y due to 2015 spend ahead of the large California adoption opportunity

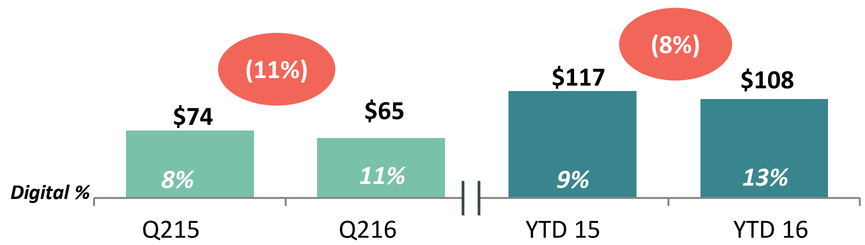
Note: In compliance with SEC interpretative guidance, we now refer to 'Adjusted Revenue' as 'Billings' throughout the presentation

International & Professional Financial Highlights

Strength in Digital Provides Runway for Success

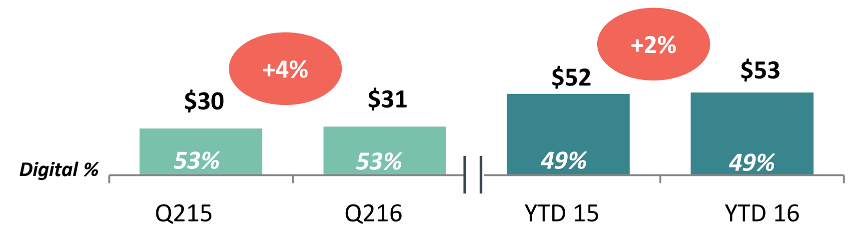
($ in Millions)

INTERNATIONAL TOTAL BILLINGS



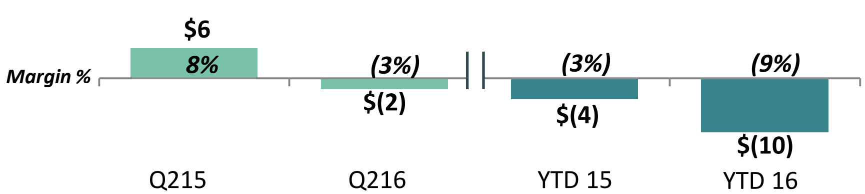
Constant FX	*(8%)*	*$68*	*(4%)*	*$112*

PROFESSIONAL TOTAL BILLINGS



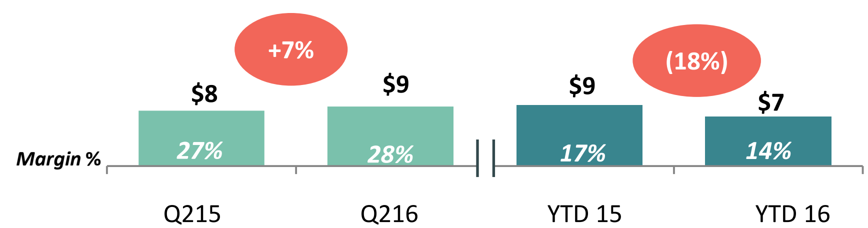
INTERNATIONAL ADJUSTED EBITDA

** % Y/Y change not meaningful*



Constant FX	*$(2)*	*$(11)*

PROFESSIONAL ADJUSTED EBITDA



- YTD Billings declined 4% Y/Y ($5M) on constant FX as timing of school adoptions and print declines offset strong digital performance
- Margin impacted by lower Billings and digital platform investment
- Continue to leverage digital capabilities to adapt and localize content

- YTD Billings increased 2% Y/Y primarily due to growth in *Access* platform subscriptions
- YTD margin unfavorably impacted by investment in digital focused staffing offset by slightly lower pre-publication investment

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

Debt Transaction Overview

Recapitalization Well-Received; Lowered Interest Rate and Simplified Capital Structure

- On May 4, 2016, MHE refinanced a majority of outstanding debt through its McGraw-Hill Global Education Holdings LLC subsidiary (Global), with no material maturities before 2019
  - Provides the Company with lower interest rates and significantly greater flexibility
  - $350M senior secured revolving line of credit (5 years at Libor + 400 bps)
  - $1,575M senior secured term loan (6 years at Libor + 400 bps)
  - $400M senior unsecured notes (8 years at fixed rate 7.875%)
- Very strong investor interest with sizeable oversubscription
  - Average interest rate improvement of over 300 bps since company acquired in 2013
- Transaction resulted in K-12 business becoming a wholly-owned subsidiary of Global, contributing cash flow and collateral to the new credit facilities
- $500M 8.5% Holdco notes at MHGE Parent LLC due 2019 were not refinanced and remain outstanding
  - Semi-annual cash interest payment made on August 1

Capital Structure and Liquidity

Business Reached Annual Cash Trough in June; Cash Builds in Second Half of Year

($ in Millions)

MCGRAW-HILL GLOBAL EDUCATION HOLDINGS COVENANT LEVERAGE AT JUNE 30, 2016

Senior Secured Term Loan due 2022	$1,575
Revolving Credit Facility due 2021 ($350M)	60
Total First Lien Indebtedness	**$1,635**
Less: McGraw-Hill Global Education Cash and Cash Equivalents	(67)
Net First Lien Indebtedness	**$1,568**
Last Twelve Months Covenant EBITDA	$498
Net First Lien Leverage Ratio	3.1x

MCGRAW-HILL GLOBAL EDUCATION HOLDINGS NET TOTAL INDEBTEDNESS AT JUNE 30, 2016

Senior Unsecured Notes 2024	**400**
Net Total Indebtedness	**$1,968**

MCGRAW-HILL EDUCATION INC. LIQUIDITY AT JUNE 30, 2016

Cash and Cash Equivalents	
McGraw-Hill Global Education Holdings	$67
McGraw-Hill Education Inc. and MHGE Parent LLC	29
McGraw-Hill Education, Inc.	**$96**
Available under Credit Facilities at June 30, 2016	**290**
Total Liquidity	**$386**

Notes

- *Net Total Indebtedness calculation excludes $500 of MHGE Parent LLC debt and cash held at MHGE Parent LLC and McGraw-Hill Education Inc. The MHGE Parent LLC cash was used to settle August 1 scheduled interest payment.*
- *Net First Lien Leverage covenant takes effect only if 30% of revolving line of credit is drawn at quarter-end. Usage was less than 30% at June 30, so the covenant did not apply. Covenant level would be 5.25x in Q2 and 4.8x in Q1, Q3 and Q4.*

Summary

- MHE YTD 2016 results exceeded prior year despite the digital transition affecting both seasonality and distributor order patterns and volumes in Higher Ed
- Impressive new adoption capture in K-8 California Reading/Literacy, despite cyclically smaller market, should drive better than expected K-12 FY 2016 performance
- Competitive milestone of 10 billion+ cumulative student interactions across adaptive learning products promotes more effective learning through growing professor and student engagement and wealth of data
- Simplified balance sheet and reduced interest rates in oversubscribed recapitalization
- Successfully executed cost savings program nears completion
- Seasonal cash anticipated to build significantly in second half of year

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

Appendix: Key Terms & Financial Detail

Financial & KPI Terms and Acronyms

Financial Terms	Description
Adjusted EBITDA	Non-GAAP financial measure that includes adjustments required or permitted in calculating covenant compliance under our debt agreements. Adjusted EBITDA is a non-GAAP financial measure defined as net income from continuing operations plus net interest, income taxes, depreciation and amortization (including amortization of pre-publication investment cash costs) and adjusted to exclude unusual items and other adjustments required or permitted in calculating covenant compliance under our debt agreements less cash spent for pre-publication investment in addition to the change in deferred revenue.
Billings (formerly referred to as Adjusted Revenue)	Non-GAAP financial measure that we define as U.S. GAAP revenue plus the net change in deferred revenue excluding the impact of purchase accounting. Billings, a measure used by management to assess operating performance, is defined as the total amount of revenue that would have been recognized in a period if all revenue were recognized immediately at the time of sale.
Change in Deferred Revenue	The Company receives cash up-front for most product sales but recognizes 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 (inclusive of deferred royalties) to a cash basis assuming the collection of all receivable balances.
Digital Billings (formerly referred to as Digital Adjusted Revenue)	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. The attribution of value in bundled arrangement is based on relative selling prices (inclusive of discounts).
EBITDA	Earnings before interest (net), income tax, depreciation and amortization.
Pre-publication Investment	Pre-publication costs reflect the costs incurred in the development of instructional solutions, principally design and content creation. These costs are capitalized when the title is expected to generate future economic benefits and are amortized upon publication of the title over its estimated useful life of up to six years.

KPI Terms	Description
Paid Activation	A user who accesses a purchased digital product for the first time
Unique User on a platform	An individual who authenticates a product at least once during a given period of time

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

Digital Product Offering Descriptions

Product	Description	Higher Education	K-12	International	Professional
Access	Digital subscription platform that provides easily searchable and customizable digital content integrated with dynamic and functional workflow tools			✓	✓
ALEKS	Adaptive learning technology for the K-12 and higher education markets	✓	✓	✓	✓
Connect	Open learning environment for students and instructors in the higher education market	✓			✓
ConnectEd	Open learning environment for the K-12 market		✓		
Engrade	Developer of an open digital platform for K-12 education that unifies the data, curriculum and tools to drive student achievement and inform district educational strategy		✓		
LearnSmart	Adaptive learning program which personalizes learning and designs targeted study paths for students	✓	✓	✓	✓
MH Campus	Integrates all digital products from McGraw-Hill Education into a school's Learning Management System (LMS)	✓	✓	✓	✓
SmartBook	Adaptive reading product designed to help students understand and retain course material by guiding each student through a highly personal study experience	✓	✓	✓	✓

Digital vs. Print Billings Detail

($ in Millions)

Q2 Billings Detail by Component

	Q2 Digital Billings				Q2 Print Billings				Q2 Total Billings			
	2014	2015	2016	*% Δ vs 2015*	2014	2015	2016	*% Δ vs 2015*	2014	2015	2016	*% Δ vs 2015*
Higher Ed	$51	$60	$68	*13.9%*	$63	$65	$41	*(37.0%)*	$114	$125	$109	*(12.7%)*
K-12	64	98	71	*(27.7%)*	166	161	204	*26.8%*	231	259	275	*6.1%*
International	5	6	7	*28.1%*	74	68	58	*(14.5%)*	79	74	65	*(11.3%)*
Professional	16	16	17	*4.7%*	17	14	15	*3.4%*	33	30	31	*4.1%*
Other	0	0	0	*N/M*	1	2	0	*(87.9%)*	1	2	0	*(85.1%)*
Total MHE	**$137**	**$180**	**$163**	***(9.3%)***	**$321**	**$310**	**$318**	***2.6%***	**$458**	**$489**	**$481**	***(1.8%)***
% of Total												
Higher Ed	*45%*	*48%*	*62%*		*55%*	*52%*	*38%*		*100%*	*100%*	*100%*	
K-12	*28%*	*38%*	*26%*		*72%*	*62%*	*74%*		*100%*	*100%*	*100%*	
International	*7%*	*8%*	*11%*		*93%*	*92%*	*89%*		*100%*	*100%*	*100%*	
Professional	*49%*	*53%*	*53%*		*51%*	*47%*	*47%*		*100%*	*100%*	*100%*	
Total MHE	***30%***	***37%***	***34%***		***70%***	***63%***	***66%***		***100%***	***100%***	***100%***	

June YTD Billings Detail by Component

	Jun YTD Digital Billings				Jun YTD Print Billings				Jun YTD Total Billings			
	2014	2015	2016	*% Δ vs 2015*	2014	2015	2016	*% Δ vs 2015*	2014	2015	2016	*% Δ vs 2015*
Higher Ed	$102	$128	$148	*15.7%*	$127	$116	$88	*(23.8%)*	$229	$244	$236	*(3.1%)*
K-12	78	106	84	*(20.5%)*	199	190	237	*24.8%*	276	296	321	*8.6%*
International	9	10	14	*39.9%*	118	106	93	*(12.1%)*	127	117	108	*(7.5%)*
Professional	26	25	26	*4.1%*	31	27	27	*0.6%*	57	52	53	*2.3%*
Other	0	0	0	*N/M*	1	2	1	*(77.0%)*	1	2	1	*(74.8%)*
Total MHE	**$215**	**$270**	**$273**	***1.3%***	**$476**	**$441**	**$446**	***1.1%***	**$691**	**$711**	**$719**	***1.2%***
% of Total												
Higher Ed	45%	52%	63%		55%	48%	37%		100%	100%	100%	
K-12	28%	36%	26%		72%	64%	74%		100%	100%	100%	
International	7%	9%	13%		93%	91%	87%		100%	100%	100%	
Professional	46%	49%	49%		54%	51%	51%		100%	100%	100%	
Total MHE	**31%**	**38%**	**38%**		**69%**	**62%**	**62%**		**100%**	**100%**	**100%**	

Figures are represented on a cash basis inclusive of actual returns but excluding purchase accounting adjustments. Accrued returns are reflected in print revenue.

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

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 decisions that are outside the control of operating management 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 provides 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 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.

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

Revenue Bridge & Segment Detail

($ in Millions)

	Three Months Ended		Six Months Ended	
	Jun 30, 2015	Jun 30, 2016	Jun 30, 2015	Jun 30, 2016
Reported Revenue	$ 423	$ 465	$ 670	$ 731
Change in Deferred Revenue	66	16	40	(12)
Billings	**$ 489**	**$ 481**	**$ 711**	**$ 719**
Billings by segment				
Higher Education	$ 125	$ 109	$ 244	$ 236
K - 12	259	275	296	321
International	74	65	117	108
Professional	30	31	52	53
Other	2	0	2	1
Total Billings	**$ 489**	**$ 481**	**$ 711**	**$ 719**
Adjusted EBITDA				
Higher Education	11	(5)	11	3
K - 12	79	101	(9)	25
International	6	(2)	(4)	(10)
Professional	8	9	9	7
Other	1	(4)	2	(5)
Total Adjusted EBITDA	**$ 105**	**$ 98**	**$ 9**	**$ 20**

Amounts above may not sum due to rounding.

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

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Adjusted Operating Expense Bridge

($ in Millions)

	Three Months Ended		Six Months Ended	
	Jun 30, 2015	**Jun 30, 2016**	**Jun 30, 2015**	**Jun 30, 2016**
Total Reported Operating Expenses	$ 294	$ 298	$ 586	$ 595
Less: Depreciation & Amortization of intangibles	(30)	(31)	(61)	(67)
Less: Amortization of prepublication costs	(17)	(19)	(28)	(32)
Less: Restructuring and cost savings implementation charges	(6)	(3)	(14)	(7)
Less: Other adjustments	(1)	(7)	(8)	(10)
Adjusted Operating Expenses	**$ 241**	**$ 238**	**$ 475**	**$ 479**

Amounts above may not sum due to rounding

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, 2015	Three Months Ended June 30, 2016	Six Months Ended June 30, 2015	Six Months Ended June 30, 2016	Year Ended Dec. 31, 2015	LTM June 30, 2016
Net income (loss) from continuing operations	$ (39)	$ (52)	$ (194)	$ (190)	$ (100)	$ (96)
Interest (income) expense, net	48	64	97	110	193	206
Income tax (benefit) provision	0	0	(3)	0	6	9
Depreciation, amortization and pre-publication investment amortization	47	50	89	99	213	222
EBITDA	**$ 56**	**$ 63**	**$ (11)**	**$ 18**	**$ 312**	**$ 341**
Change in deferred revenue (a)	66	16	40	(12)	221	168
Restructuring and cost savings implementation charges (b)	6	3	14	7	24	17
Sponsor fees (c)	1	1	2	2	4	4
Loss on extinguishment of debt (d)	-	27	-	27	-	27
Other (e)	1	7	8	10	25	28
Pre-publication investment (f)	(25)	(18)	(45)	(31)	(99)	(85)
Adjusted EBITDA	**$ 105**	**$ 98**	**$ 9**	**$ 20**	**$ 486**	**$ 498**

Amounts above may not sum due to rounding.

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

Adjusted EBITDA Footnotes

(a) We receive cash up-front for most product 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 (inclusive of deferred royalties) to a cash basis assuming the collection of all receivable balances.

(b) 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.

(c) Beginning in 2014, $3.5 million of annual management fees was recorded and payable to Apollo.

(d) This amount represents the write-off of unamortized deferred financing fees, original debt discount and other fees and expenses associated with the Company's refinancing of its existing indebtedness on May 4, 2016.

(e) For the three and six months ended June 30, 2016 and 2015, the amount represents (i) non-cash incentive compensation expense and (ii) other adjustments required or permitted in calculating covenant compliance under our debt agreements.

(f) Represents the cash cost for pre-publication investment during the period excluding discontinued operations.

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