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**McGraw Hill**

**Preliminary Fiscal Q4 &  
FY 2021 Investor Update**

April 26, 2021



# Disclaimer

## 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.

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## 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.

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.

# Preliminary, Unaudited FY 2021 Highlights

Strong business performance and agility in year impacted by COVID-19

- Achieved record total digital Billings of ~\$1B in FY 2021
- Adjusted EBITDA growth of ~17% to ~\$440M expected in FY 2021
- Fully actioned \$100M+ cost rationalization program driving permanent savings
  - ✓ More than \$100M of run-rate savings actioned
  - ✓ More than \$55M realized in FY 2021
- Completed debt refinancing in Jan-21 after renewing receivable securitization in Aug-20
  - ✓ Debt refinancing reduced gross debt by ~\$50M and extended maturities to 2024
  - ✓ Repurchased nearly \$50M in outstanding debt (\$27M post year-end<sup>1</sup>) since refinancing
- Strong year-end cash balance of \$353M with undrawn line of credit<sup>2</sup> of \$285M and \$150M incremental seasonal securitization line
- As of March 31<sup>st</sup>, net first lien leverage was ~2.4x; total company net leverage of ~4.0x
- Comprehensive fiscal Q4 and FY 2021 presentation and financial statements to be issued later this quarter

# Preliminary, Unaudited Fiscal Q4 and FY 2021 Results

## Fiscal Fourth Quarter Performance

- Total MH and Higher Ed Billings had double-digit growth in the fourth quarter supported by continued strength in digital Billings which increased by more than 30%<sup>2</sup> and 20% respectively, year-over-year
- Total Adjusted EBITDA growth in the quarter driven by strong Billings and realization of savings associated with \$100M+ cost rationalization program

## Fiscal Year 2021 Performance

- Despite challenging environment in FY21, MH demonstrated resiliency and focused on supporting institutions, educators and learners during a time of digital transition
- Digital Billings<sup>2</sup> grew by more than \$100M in FY21 and represented 72% of total Billings<sup>2</sup> in FY21 (vs. 61% last year)
- Global Professional and International performance was strong in Q4 after material print Billings impact from COVID-19 pandemic in prior quarters
- Significant cash liquidity with strong year-end cash balance \$353M with undrawn line of credit<sup>4</sup> of \$285M and \$150M incremental seasonal securitization line

## Fiscal Quarter Ended March 31, 2021 vs. 2020<sup>1</sup>

	Higher Ed	Total Company
<b>Total Billings</b>	~12% growth	~21% growth
<b>Total Digital Billings</b>	~23% growth	~32% growth <sup>2</sup>

## Fiscal Year Ended March 31, 2021 vs. 2020<sup>1</sup>

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<b>Total Digital Billings</b>	~17% growth <sup>2</sup>
<b>Total Adj. EBITDA</b>	>\$65M improvement
MH Higher Education	
<b>Digital Billings</b>	~15% growth
<b>Inclusive Access Net Sales</b>	+\$167M (+58%)
<b>Billings</b>	~5% growth

## McGraw Hill Cash and Debt Summary<sup>1, 3</sup>

(\$ in Millions)	3/31/19	3/31/20	3/31/21
<b>Cash Balance*</b>	\$159	\$176	\$353
<b>Total Net Debt</b>	\$2,100	\$2,008	\$1,762
<b>Total Net Leverage</b>	7.0x	5.4x	~4.0x

(1) All FY21 and March 31, 2021 figures are preliminary and are subject to audit adjustments

(2) Total digital Billings growth with and without K-12 exceeded 30% in the quarter

(3) Total Net Debt and Total Net Leverage reflects MHE Inc.

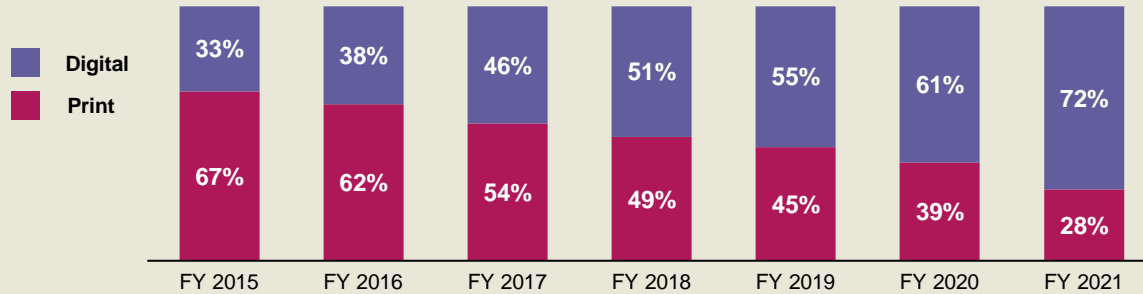
(4) Consistent with the refinancing in January 2021, line of credit will be \$260M beginning June 2021

\* Cash and cash equivalents excludes restricted cash

# Digital Growth Continues Across all Segments

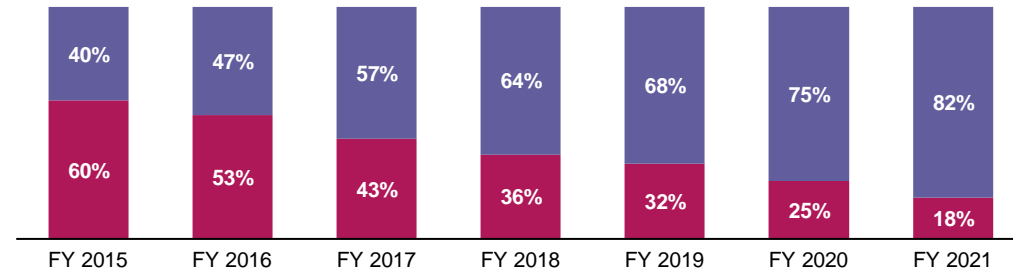
Billings inflection point achieved; total Digital Billings of ~\$1 billion in FY 2021

## McGraw Hill (excluding K-12)<sup>1</sup>

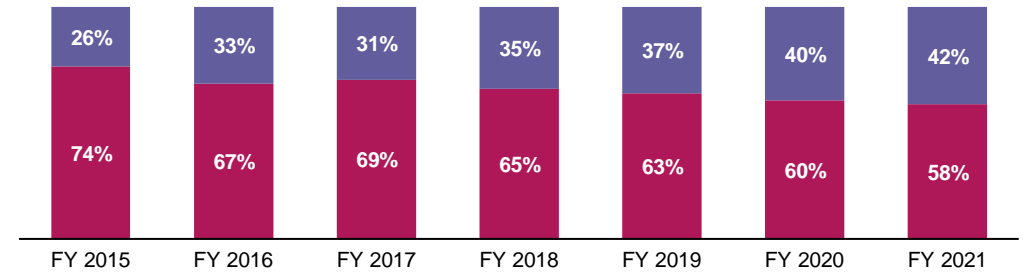


- Total digital Billings in FY21 were ~\$1B compared to \$600M in FY15
- Digital trajectory accelerated with growth expected to continue
- Business is prepared to capture incremental digital demand and continues to work closely with educators and learners to facilitate digital transition
- Inclusive of K-12 (where digital composition varies from year-to-year driven by the core basal adoption calendar), digital was 61% of total Billings in FY21

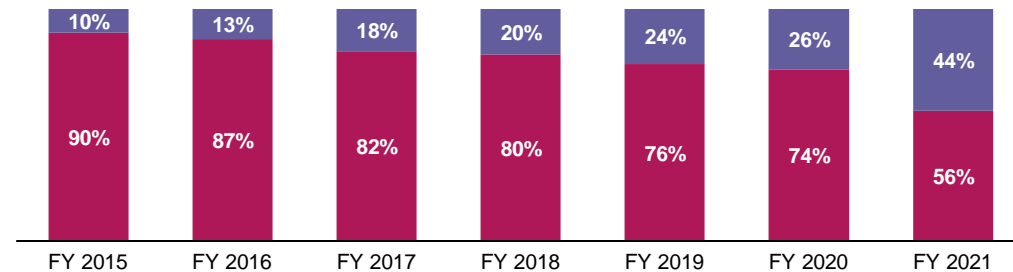
## Higher Education



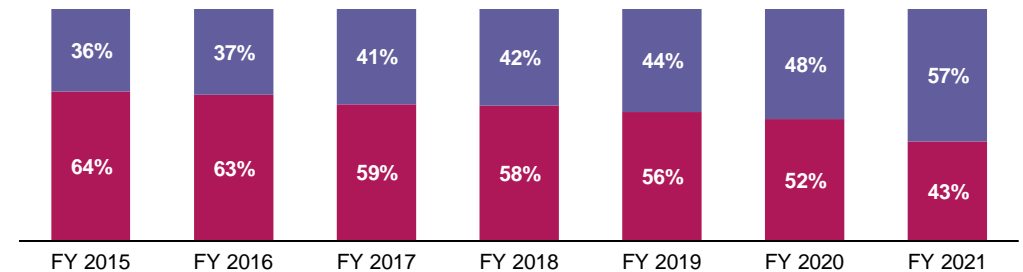
## K-12



## International



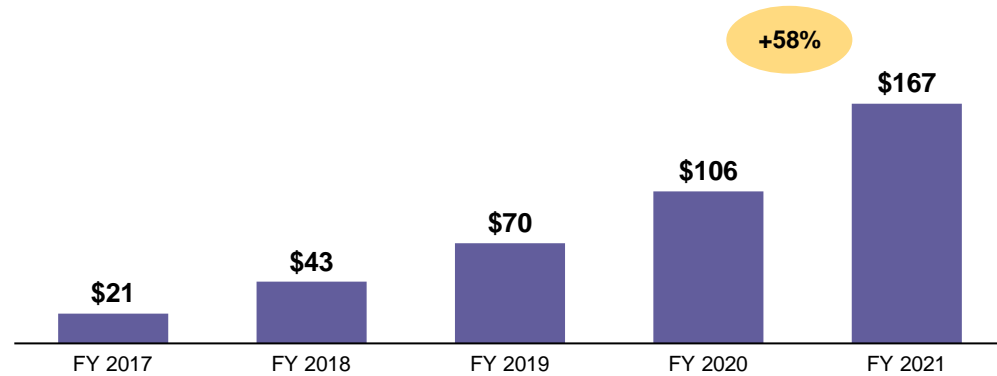
## Global Professional<sup>2</sup>



# Digital Ed Tech Highlights

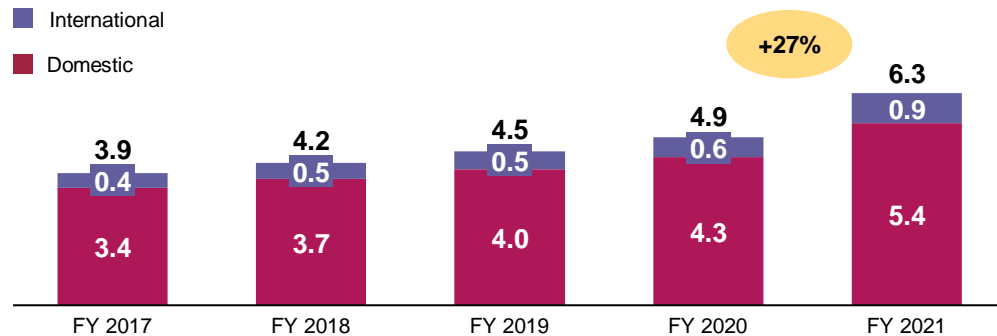
All numbers are in millions

## Inclusive Access Net Sales<sup>1</sup> (U.S. Higher Ed)



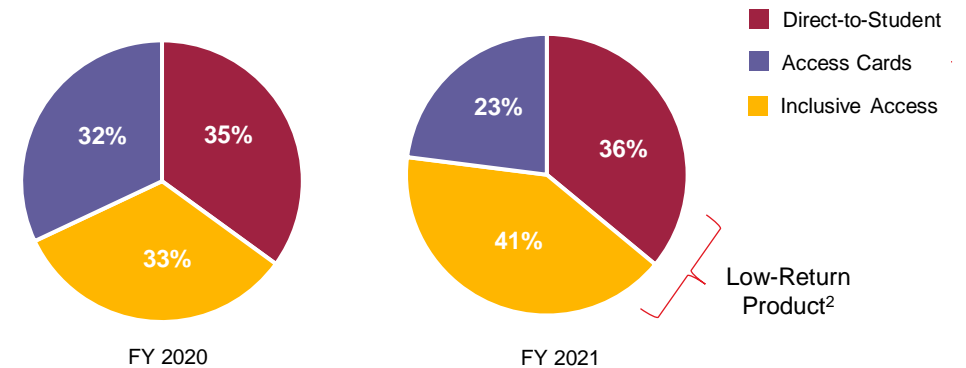
“Land and Expand” strategy drove accelerated growth with ~1,400 campuses participating in MH’s Inclusive Access programs in FY 2021

## Connect Paid Activations<sup>3</sup>



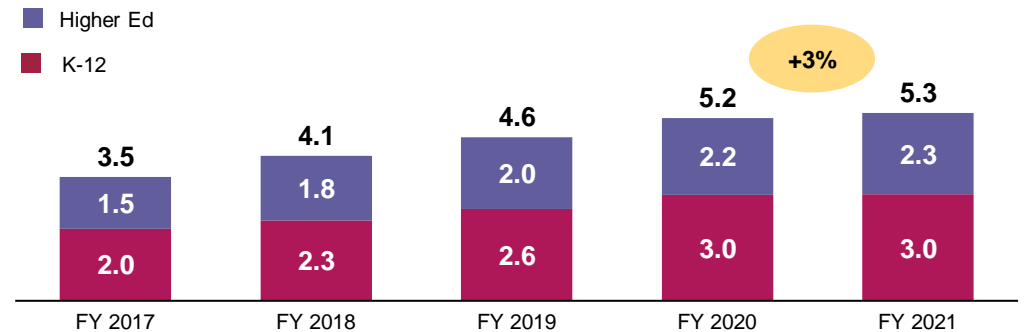
More than 6 million and growing annual user activations supported by successful digital transition and increased digital adoption

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



Institutional sales increase sell-through and drive digital growth  
More than 75% of activations are from low-return products

## ALEKS Unique Users (Global Higher Ed and K-12)



ALEKS personalized learning solutions continue to drive unique user growth in across K-12 and Higher Ed

Amounts may not sum due to rounding

(1) Inclusive Access net sales include a small percentage of print from bundle sales

(2) Return rate less than 2%

(3) FY 2021 Connect paid activations excludes ~49K free activations from COVID-19