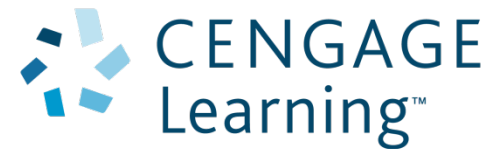


Fiscal 2011 First Quarter Investor Call

November 12, 2010



Safe Harbor/Forward-Looking Statements

- The following discussion may contain forward-looking statements, including statements about the outlook and prospects for Cengage Learning.
- Forward-looking statements are those which are not historical facts. These and other statements that relate to future results and events are based on Cengage Learning's current expectations and assumptions and are subject to risks and uncertainties which may cause our actual results in future periods to differ materially from those currently expected because of factors discussed in this presentation, in the management's discussion and analysis section of the Company's First Quarter Report for the Three Months Ended September 30, 2010 and the "Risk Factors" section of the Annual Report for the Fiscal Year Ended June 30, 2010. Please consult these documents for a more complete understanding of these risks and uncertainties. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

- This presentation contains disclosures of Adjusted EBITDA, Unlevered Free Cash Flow and Covenant Adjusted EBITDA which are non-GAAP financial measures. Please see the Appendix for a definition of these measures and reconciliations to the most directly comparable financial measures prepared in accordance with GAAP.

Basis of Presentation Changes

- Segment Information
- Adjusted EBITDA

❖ Welcome / Introductions

Dave Faiman

❖ Business and Market Update

Ron Dunn

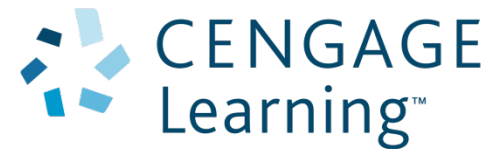
❖ Financial Results

Dean Durbin

❖ Questions & Answers

Business and Market Update

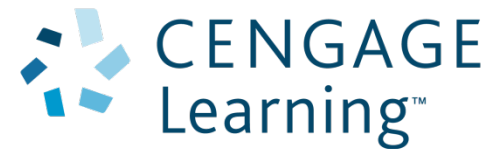
Ron Dunn



- ❖ Overview of First Quarter Performance
- ❖ External Market Conditions
- ❖ Status Report on Organizational Restructuring

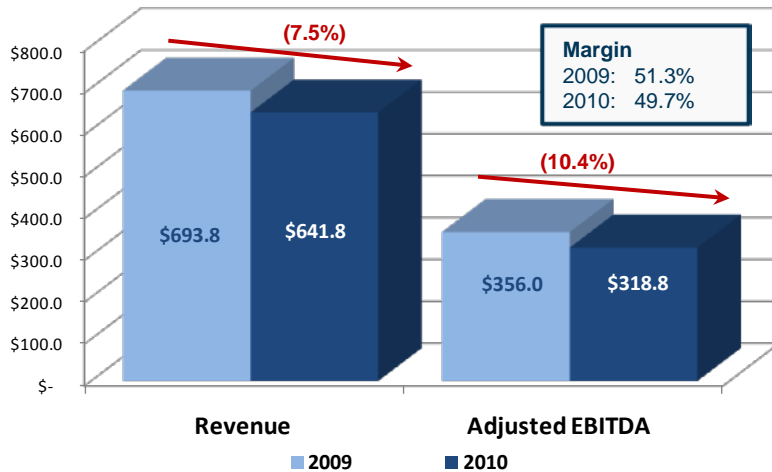
Financial Results

Dean Durbin

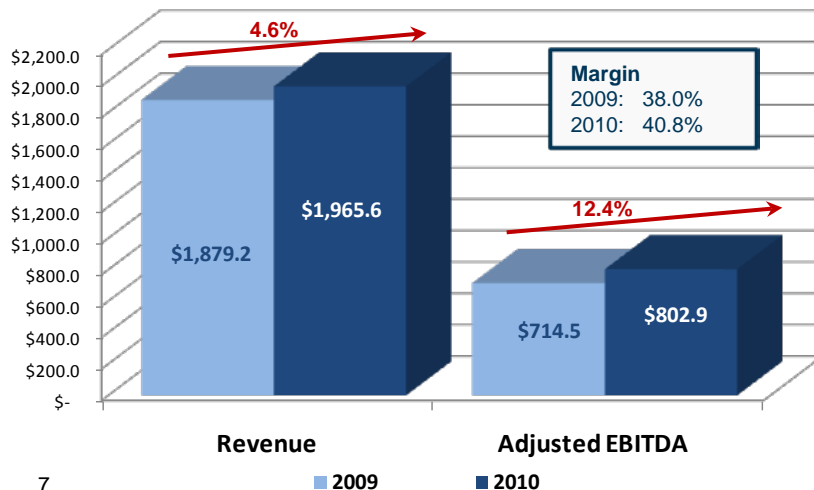


Consolidated Financial Results

Three Months Ended September 30,



Twelve Months Ended September 30,



First Quarter Overview

Revenue

Decrease of \$52.0 due to:

- ❖ \$57.9 decrease in our Domestic segment resulting from changes in customer ordering patterns, partially offset by \$3.0 from acquisitions,
- ❖ \$5.9 increase in our International segment resulting from sales growth across all channels.

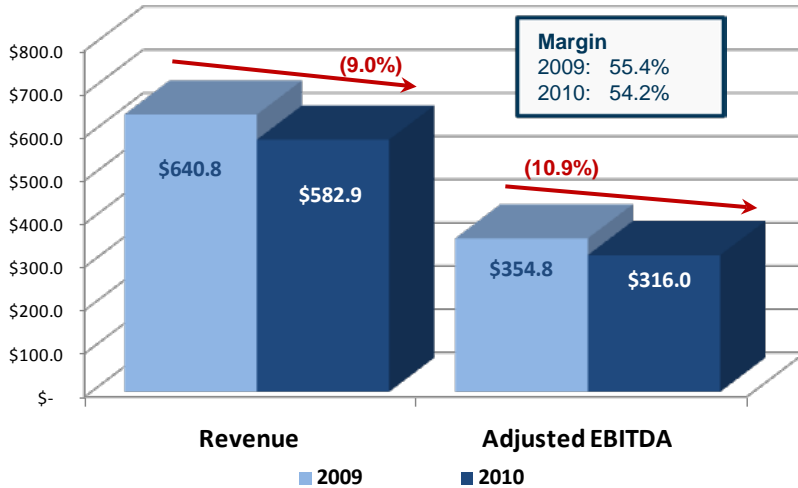
Adjusted EBITDA

Decrease of \$37.2 due to:

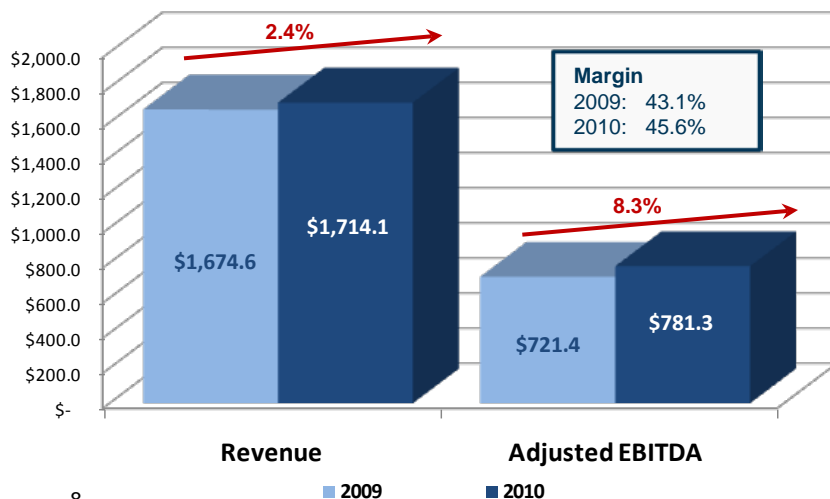
- ❖ Lower revenues,
- ❖ Partially offset by lower direct product and other variable costs as well as lower employee and consulting service costs and higher capitalization of costs associated with new product development.

Domestic Financial Results

Three Months Ended September 30,



Twelve Months Ended September 30,



First Quarter Overview

Revenue

Decrease of \$57.9 due to:

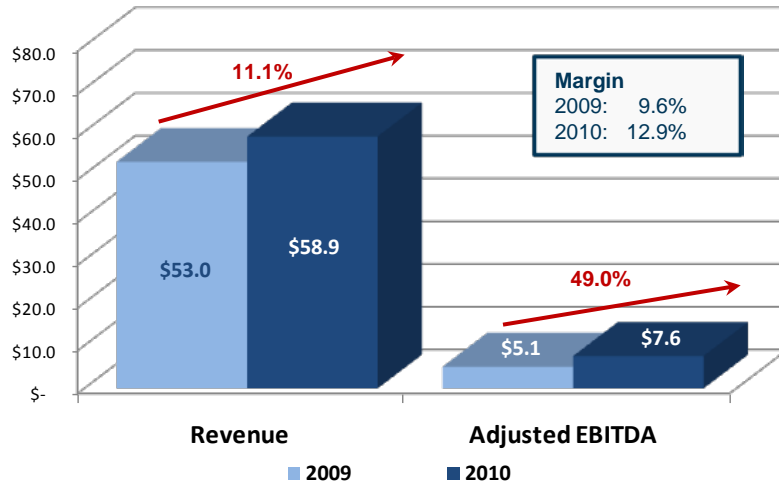
- ❖ \$48.9 decrease in our Learning business resulting from changes in customer ordering patterns,
- ❖ \$8.8 decrease in our Research business as the result of lower print sales reflecting the impact of a managed reduction in our print publishing schedule and lower digital sales reflecting continued funding challenges facing our customers.

Adjusted EBITDA

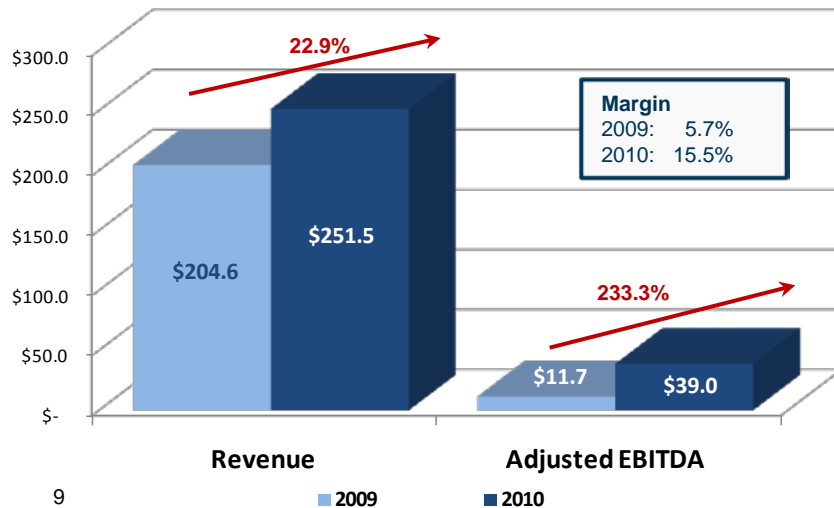
Decrease of \$38.8 due to:

- ❖ Lower revenues,
- ❖ Partially offset by lower direct product and other variable costs as well as higher capitalization of costs associated with new product development.

Three Months Ended September 30,



Twelve Months Ended September 30,



First Quarter Overview

Revenue

Increase of \$5.9 due to:

- ❖ Sales growth across all channels driven primarily by our English language teaching and higher education channels in Asia, Latin America and EMEA, as well as our school channel in Australia.

Adjusted EBITDA

Increase of \$2.5 due to:

- ❖ Higher revenue,
- ❖ Higher capitalization of costs associated with product adaptations and new product development partially offset by higher direct product and other variable costs.

Liquidity and Capital Resources

Liquidity

(\$ Millions)	September 30, 2010
Cash and cash equivalents	\$ 66.3
Revolving Credit Facility	\$ 300.0
Outstanding Letters of Credit	(6.3)
Outstanding Borrowings	-
Available Revolving Credit Facility	\$ 293.7

Net Indebtedness

(\$ Millions)	September 30, 2010
Indebtedness	\$ 5,680.3
Cash and cash equivalents	(66.3)
Net Indebtedness	\$ 5,614.0
Last Twelve Months	
Covenant Adjusted EBITDA ¹	\$ 838.3

Capital Expenditures and Unlevered Free Cash Flow for the Three Months Ended September 30,

(\$ Millions)	<u>2010</u>	<u>2009</u>	<u>Change</u>
Capital Expenditures	\$ 48.6	\$ 32.2	50.9%
Unlevered Free Cash Flow	283.2	265.0	6.9%

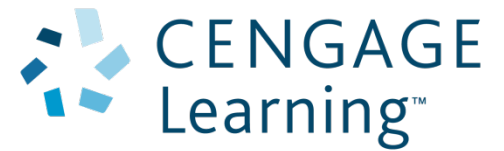
Leverage Ratios at September 30, 2010

Credit Agreement Threshold	7.75
Senior Secured Leverage Ratio	4.65
Total Leverage Ratio ²	6.70

¹ We calculate Covenant Adjusted EBITDA pursuant to the terms of our Credit Agreement. A reconciliation of Covenant Adjusted EBITDA to the most directly comparable financial measure calculated and presented in accordance with GAAP is included on page 16 of this presentation.

² Total Leverage Ratio is determined as the ratio of Net Indebtedness to Last Twelve Months Covenant Adjusted EBITDA (i.e., \$5,614.0 / \$838.3)

Questions & Answers



Appendix



Non-GAAP Financial Measures

We believe that certain non-GAAP financial measures provide additional means of analyzing the current period's results against the corresponding prior period's results. However, these non-GAAP measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with GAAP.

“Adjusted EBITDA”: We use Adjusted EBITDA (the same metric was previously referred to as “EBITDA”) to evaluate earnings based upon operating income (loss) from continuing operations before the amortization of pre-publication costs, restructuring charges, depreciation, impairment of goodwill, amortization and impairment of identifiable intangible assets, and other (expense) income, net. Prior period financial information has been restated to conform to current period presentation. We believe that this performance measure provides a meaningful basis for reviewing the results of our operations by eliminating the effects of financing and investing decisions, as well as excluding the impact of activities not related to the core operating business. Adjusted EBITDA is presented pursuant to the requirements of GAAP in Note 12, “Segment Information” of our First Quarter Report for the Three Months Ended September 30, 2010. Reconciliations of this non-GAAP financial measure to the most directly comparable financial measure calculated and presented in accordance with GAAP are included on page 14 of this presentation.

“Unlevered Free Cash Flow”: This measure of cash flows represents net cash provided by operating activities of continuing operations excluding cash paid for interest and debt repayments in lieu of interest, less cash expenditures for additions to pre-publication costs and additions to property, equipment and capitalized software for internal use. We view these cash expenditures as income-producing assets that are required to ensure the sustainability and continued growth of our business. We believe that this liquidity measure gives us and our investors a clearer picture on the cash flow produced and reinvested by the ongoing business. Reconciliations of Unlevered Free Cash Flow to the most directly comparable financial measure calculated and presented in accordance with GAAP are included on page 15 of this presentation.

“Covenant Adjusted EBITDA”: In order to evaluate the results of operating activities excluding the effect of significant non-recurring transactions and giving effect to the run rate impact of cost saving initiatives, acquisitions and disposals, we calculate Covenant Adjusted EBITDA pursuant to the terms of our Credit Agreement. A reconciliation of Covenant Adjusted EBITDA to the most directly comparable financial measure calculated and presented in accordance with GAAP is included on page 16 of this presentation.

Adjusted EBITDA Reconciliation

Three Months Ended September 30, 2010 and 2009

	Three Months Ended	
	September 30,	
	<u>2010</u>	<u>2009</u>
Adjusted EBITDA	\$ 318.8	\$ 356.0
Less:		
Amortization of pre-publication costs	(42.8)	(49.4)
Restructuring charges	(2.5)	-
Depreciation	(10.7)	(11.6)
Amortization of identifiable intangible assets	(41.9)	(40.8)
Operating income from continuing operations	<u>\$ 220.9</u>	<u>\$ 254.2</u>

Unlevered Free Cash Flow Reconciliation

Three Months Ended September 30, 2010 and 2009

	Three Months Ended September 30,	
	2010	2009
Net cash provided by operating activities of continuing operations	\$ 179.9	\$ 169.7
Addback:		
Cash interest paid	147.5	127.5
Repayments of long-term debt, in lieu of interest	4.4	-
Additions to pre-publication costs	(34.2)	(25.4)
Additions to property, equipment and capitalized software for internal use	(14.4)	(6.8)
Unlevered Free Cash Flow	<u>\$ 283.2</u>	<u>\$ 265.0</u>

Covenant Adjusted EBITDA Reconciliation

	Twelve Months Ended September 30, 2010
Net Income	\$ 21.0
Adjustments:	
Benefit from income taxes	(10.5)
Interest expense	506.5
Interest income	(0.4)
Mark-to-market of derivative instruments	(68.8)
Gain on early extinguishment of debt	(11.1)
Amortization of identifiable intangible assets	165.6
Depreciation	46.0
Amortization of pre-publication costs	134.1
Non-cash equity-based compensation	6.1
Sponsor management fee	10.7
Pro forma run rate cost savings	9.1
Pro forma EBITDA from acquisitions	3.3
Impairment charges and asset write-offs	14.0
Restructuring, integration and business optimization expenses	11.4
Other	1.3
Covenant Adjusted EBITDA	<u>\$ 838.3</u>

Revenues and Adjusted EBITDA

Last Twelve Months Ended September 30,

	Twelve Months Ended September 30,		Growth %
	2010	2009	
Revenues			
Domestic	\$ 1,714.1	\$ 1,674.6	2.4%
International	251.5	204.6	22.9%
Total Revenues	<u>\$ 1,965.6</u>	<u>\$ 1,879.2</u>	4.6%
Adjusted EBITDA			
Domestic	\$ 781.3	\$ 721.4	8.3%
International	39.0	11.7	233.3%
Segment totals	820.3	733.1	
Corporate and Other	(17.4)	(18.6)	NM
Adjusted EBITDA	<u>\$ 802.9</u>	<u>\$ 714.5</u>	12.4%
Margin	40.8%	38.0%	

NM = Not meaningful