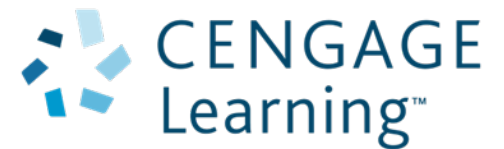


Fiscal 2009 Year End Investor Call

September 17, 2009



Safe Harbor/Forward-Looking Statements

- The following discussion contains 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 Annual Report For The Fiscal Year Ended June 30, 2009 and the "Risk Factors" section of the Annual Report. Please consult the Annual Report 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 EBITDA, Unlevered free cash flow and 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.

Agenda

✿ Welcome / Introductions

Dave Faiman

✿ Business Update

Ron Dunn

✿ Financial Results

Dean Durbin

✿ Questions & Answers

Business Update

Ron Dunn



Fiscal 2009 Accomplishments

- ✿ Revenue and EBITDA growth
- ✿ Expansion of digital footprint
- ✿ Acquisitions
- ✿ Debt reduction

Business Development

- ❁ Integration of International into APG
- ❁ Textbook rental program / Cengagebrain.com
- ❁ Digital transition
- ❁ Senior management changes
- ❁ New global Enterprise Resource Planning system

Financial Results

Dean Durbin



Consolidated and Combined Financial Results

4th Quarter 2009 compared to 4th Quarter 2008

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue ^(a)	\$ 442.3	\$ 347.6	27.2%
EBITDA ^(a)	\$ 132.7	\$ 76.9	72.6%
<i>Margin</i>	<i>30.0%</i>	<i>22.1%</i>	
Unlevered free cash flow	\$ 1.6	\$ (18.9)	108.5%

Fiscal 2009 compared to Fiscal 2008

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue ^(a)	\$ 1,958.0	\$ 1,723.4	13.6%
EBITDA ^(a)	\$ 740.8	\$ 594.3	24.7%
<i>Margin</i>	<i>37.8%</i>	<i>34.5%</i>	
Unlevered free cash flow	\$ 547.9	\$ 481.9	13.7%

Fourth Quarter Overview

Revenue

Increase of \$94.7 or 27.2% reflecting:

- ✦ Growth in APG driven by Academic business in the U.S. and revenue from acquisitions
- ✦ Offset by \$11.3 unfavorable impact of foreign currency translation and decline in Gale and International

EBITDA

Increase of \$55.8 or 72.6% reflecting:

- ✦ Increased contribution from higher revenues
- ✦ Offset by increased employee costs attributable to acquisitions and \$1.4 unfavorable impact of foreign currency translation

Unlevered free cash flow

Increase of \$20.5 or 108.5% reflecting:

- ✦ Increased contribution from higher EBITDA
- ✦ Offset by net increase in working capital driven by timing of sales and increased spend on pre-publication costs driven by acquisition of HM College

8 ^(a) Reflects \$1.6 and \$17.9 incremental revenue reduction in the 4th Quarter 2008 and Fiscal 2008, respectively, associated with purchase accounting adjustments to deferred revenue, which have a 100% flow through to EBITDA.

Academic & Professional Group

4th Quarter 2009 compared to 4th Quarter 2008

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue	\$ 305.5	\$ 201.3	51.8%
EBITDA	\$ 110.3	\$ 50.7	117.6%
<i>Margin</i>	<i>36.1%</i>	<i>25.2%</i>	

Fiscal 2009 compared to Fiscal 2008

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue	\$ 1,437.1	\$ 1,149.9	25.0%
EBITDA	\$ 624.2	\$ 464.3	34.4%
<i>Margin</i>	<i>43.4%</i>	<i>40.4%</i>	

Fourth Quarter Overview

Revenue

Growth of \$104.2 or 51.8% reflecting:

- Acquisitions of HM College, Gatlin and Concept Media
- Growth in both higher education and career channels due to changes in publication dates of certain titles and changes in customer ordering patterns shifting sales from 1st Quarter 2010 to 4th Quarter 2009

EBITDA

Increase of \$59.6 or 117.6% reflecting:

- Increased contribution from higher revenues
- Offset by higher employee costs associated with our acquisition of HM College

Gale

4th Quarter 2009 compared to 4th Quarter 2008

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue	\$ 79.8	\$ 85.1	-6.2%
EBITDA	\$ 31.3	\$ 39.0	-19.7%
<i>Margin</i>	<i>39.2%</i>	<i>45.8%</i>	

Fiscal 2009 compared to Fiscal 2008

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue	\$ 297.0	\$ 314.3	-5.5%
EBITDA	\$ 126.2	\$ 139.8	-9.7%
<i>Margin</i>	<i>42.5%</i>	<i>44.5%</i>	

Fourth Quarter Overview

Revenue

Decline of \$5.3 or 6.2% reflecting:

- Decline in sales of print materials, licensing and subscriptions driven by fiscal spending constraints on customers related to the economic environment
- Offset by growth from our acquisition of HighBeam and increase in sales of e-books to schools and public libraries

EBITDA

Decline of \$7.7 or 19.7% reflecting:

- Reduced contribution from lower revenues
- Higher employee costs attributable to acquisition of HighBeam

International

4th Quarter 2009 compared to 4th Quarter 2008

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue	\$ 56.0	\$ 57.3	-2.3%
EBITDA	\$ 4.5	\$ 4.2	7.1%
<i>Margin</i>	<i>8.0%</i>	<i>7.3%</i>	

Fiscal 2009 compared to Fiscal 2008

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue	\$ 212.0	\$ 252.4	-16.0%
EBITDA	\$ 20.6	\$ 38.4	-46.4%
<i>Margin</i>	<i>9.7%</i>	<i>15.2%</i>	

Fourth Quarter Overview

Revenue

Decline of \$1.3 or 2.3% reflecting:

- ❄ \$8.6 unfavorable impact of foreign currency translation
- ❄ Offset by growth in EMEA higher education and English language teaching products

EBITDA

Growth of \$0.3 or 7.1% reflecting:

- ❄ Benefit of lower employee costs attributable to previous restructuring initiatives and reduced incentive compensation expense
- ❄ Offset by \$0.6 unfavorable impact of foreign currency translation

Liquidity and Capital Resources

Liquidity

<i>(\$ Millions)</i>	<u>June 30, 2009</u>
Cash and cash equivalents	\$ 33.4
Revolving Credit Facility	\$ 300.0
Outstanding Letters of Credit Borrowings	(7.8)
	(184.0)
Available under the Revolving Credit Facility	<u>\$ 108.2</u>

Leverage Ratios at June 30, 2009

Credit Agreement Leverage Ratio	5.13
Total Leverage Ratio ¹	7.42

Net Indebtedness

<i>(\$ Millions)</i>	<u>June 30, 2009</u>
Revolving Credit Facility	\$ 184.0
Term Loan Facility	3,379.8
Incremental Term Loan Facility	606.6
10.5% Senior Notes due 2015	1,204.2
13.25% Senior Subordinated Discount Notes due 2015	405.6
13.75% Senior PIK Notes due 2015	154.3
	<u>5,934.5</u>
Cash and cash equivalents	(33.4)
Net Indebtedness	<u>\$ 5,901.1</u>
	<u>795.0</u>
Last Twelve Months Adjusted EBITDA ²	<u>\$ 795.0</u>

¹ Total Leverage Ratio is determined as the ratio of Net Indebtedness to Last Twelve Months Adjusted EBITDA (i.e., \$5,901.1 : \$795.0)

² 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 Adjusted EBITDA pursuant to the terms of our credit agreement. A reconciliation of Adjusted EBITDA to the most directly comparable financial measure calculated and presented in accordance with GAAP is included on page 20 of this presentation.

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.

"EBITDA": We evaluate earnings based upon operating income (loss) from continuing operations before the amortization and impairment of identifiable intangible assets, depreciation, amortization of pre-publication costs, impairment of goodwill and for Fiscal 2008, the allocation of corporate management costs from TOC. We believe that this measure provides an additional means of analyzing the results of operating activities by eliminating the effects of financing and investing decisions. Our measure of EBITDA is consistent with our measure of Segment Operating Profit. Segment Operating Profit is presented pursuant to the requirements of GAAP in Note 21, "Segment Information" of our Annual Report For The Fiscal Year Ended June 30, 2009. Reconciliations of this non-GAAP financial measure to the most directly comparable financial measure calculated and presented in accordance with GAAP are included on pages 16 and 17 of this presentation.

"Unlevered free cash flow": This measure of cash flows represents net cash (used in) 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, net of dispositions. We view these investments as income-producing assets that are important to the growth of our business. We believe that this measure gives us and our investors additional perspective of cash flows from operating activities. Reconciliations of Unlevered Free Cash Flow to the most directly comparable financial measure calculated and presented in accordance with GAAP are included on pages 18 and 19 of this presentation.

"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 Adjusted EBITDA pursuant to the terms of our credit agreement. A reconciliation of Adjusted EBITDA to the most directly comparable financial measure calculated and presented in accordance with GAAP is included on page 20 of this presentation.

EBITDA Reconciliation – 4th Quarter

	Three Months Ended June 30,	
	2009	2008
Total segment operating profit / EBITDA	\$ 132.7	\$ 76.9
Less:		
Amortization of pre-publication costs	(33.2)	(28.0)
Depreciation	(13.6)	(16.1)
Impairment of goodwill	-	(39.2)
Amortization and impairment of identifiable intangible assets	(40.8)	(52.3)
Operating income (loss) from continuing operations	<u>\$ 45.1</u>	<u>\$ (58.7)</u>

EBITDA Reconciliation – Year To Date

	Successor		Predecessor	Cumulative Period Ended June 30, 2008
	Year Ended June 30, 2009	Period July 5, 2007 to June 30, 2008	Period July 1, 2007 to July 4, 2007	
Total segment operating profit / EBITDA	\$ 740.8	\$ 588.8	\$ 5.5	\$ 594.3
Less:				
Amortization of pre-publication costs	(144.9)	(130.7)	(0.9)	(131.6)
Allocation of management costs from TOC	-	-	(0.8)	(0.8)
Depreciation	(59.6)	(59.3)	(0.7)	(60.0)
Impairment of goodwill	(831.6)	(39.2)	-	(39.2)
Amortization and impairment of identifiable intangible assets	(517.0)	(212.7)	(0.3)	(213.0)
Operating (loss) income from continuing operations	<u>\$ (812.3)</u>	<u>\$ 146.9</u>	<u>\$ 2.8</u>	<u>\$ 149.7</u>

Unlevered Free Cash Flow Reconciliation – 4th Quarter

	Three Months Ended June 30,	
	2009	2008
Net cash used in operating activities of continuing operations	\$ (39.4)	\$ (33.8)
Addback:		
Cash interest paid	63.8	63.9
Repayments of long term debt, in lieu of interest	33.9	-
Additions to pre-publication costs	(40.2)	(35.8)
Additions to property, equipment and capitalized software for internal use, net of dispositions	(16.5)	(13.2)
Unlevered Free Cash Flow	<u>\$ 1.6</u>	<u>\$ (18.9)</u>

Unlevered Free Cash Flow Reconciliation – Year To Date

	Successor		Predecessor	Cumulative Period Ended June 30, 2008
	Year Ended June 30, 2009	Period July 5, 2007 to June 30 , 2008	Period July 1, 2007 to July 4, 2007	
Net cash provided by operating activities of continuing operations	\$ 274.2	\$ 301.8	\$ 6.5	\$ 308.3
Addback:				
Cash interest paid	401.7	337.6	-	337.6
Repayments of long term debt, in lieu of interest	57.6	-	-	-
Additions to pre-publication costs	(136.9)	(123.9)	-	(123.9)
Additions to property, equipment and capitalized software for internal use, net of dispositions	(48.7)	(40.1)	-	(40.1)
Unlevered Free Cash Flow	<u>\$ 547.9</u>	<u>\$ 475.4</u>	<u>\$ 6.5</u>	<u>\$ 481.9</u>

Adjusted EBITDA Reconciliation

	Twelve Months Ended June 30, 2009
	<hr/>
Net loss	\$ (986.5)
Adjustments:	
Loss from discontinued operations, net of tax	1.5
Benefit from income taxes	(38.8)
Interest expense	589.8
Interest income	(1.0)
Mark-to-market of derivative instruments	(37.7)
Gain on early extinguishment of debt	(341.1)
Amortization and impairment of identifiable intangible assets	517.0
Impairment of goodwill	831.6
Depreciation	59.6
Amortization of pre-publication costs	144.9
Management fee	10.7
Non-cash equity-based compensation	6.9
Pro forma EBITDA from acquisitions	11.1
Non-recurring items and other	27.0
Adjusted EBITDA	<hr/> \$ 795.0 <hr/>