

Cengage Learning

J.P. Morgan Global High Yield & Leveraged Finance Conference

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Transforming Learning • Transforming Lives



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 Second Quarter Report for the Three- and Six-Months Ended December 31, 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 such as Adjusted EBITDA, Unlevered Free Cash Flow and Covenant Adjusted EBITDA which are non-GAAP financial measures. Please see the Company's website, www.cengage.com, for a definition of these measures and reconciliations to the most directly comparable financial measures prepared in accordance with GAAP.

Topics for Today

- Cengage Learning Overview
- Market Dynamics
- Digital Solutions
- Financial Performance
- Q&A

Who We Are

LIFELONG LEARNING

Primary Markets

- 2- and 4-year colleges and universities
- Private/For Profit Colleges

Related Markets

- Professional Training & Continuing Education
- School Market

RESEARCH

- Academic
- Public
- School
- Government

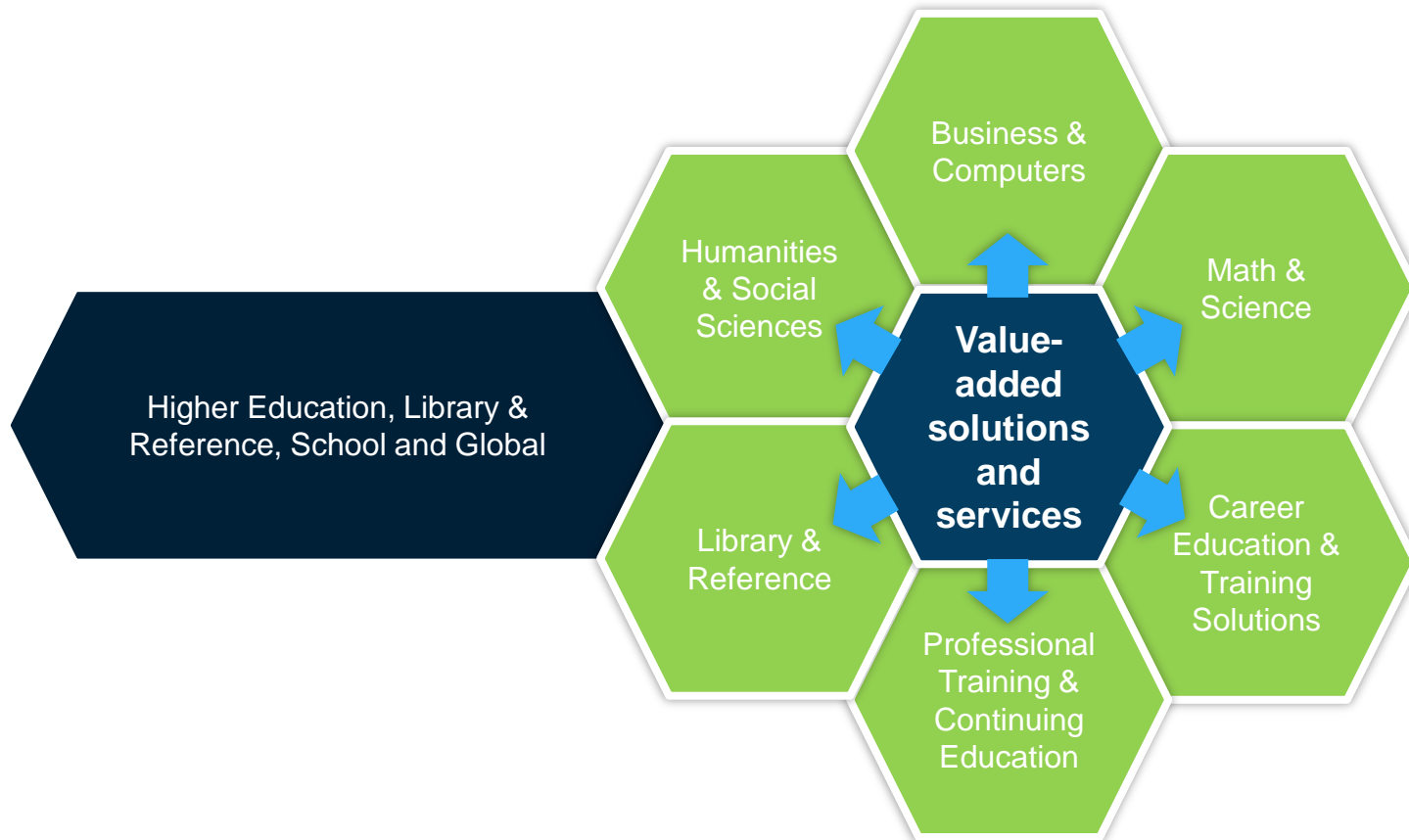
- Annual revenue: \$2B
- 5,600 employees
- Operates in more than 42 countries

Key Strategies

- Create industry-leading digital and hybrid solutions for the academic, professional and library markets
- Exploit synergies between reference and academic resources to deliver unique digital solutions that provide sustainable competitive advantage
- Drive international growth by globalizing the business



What We Do

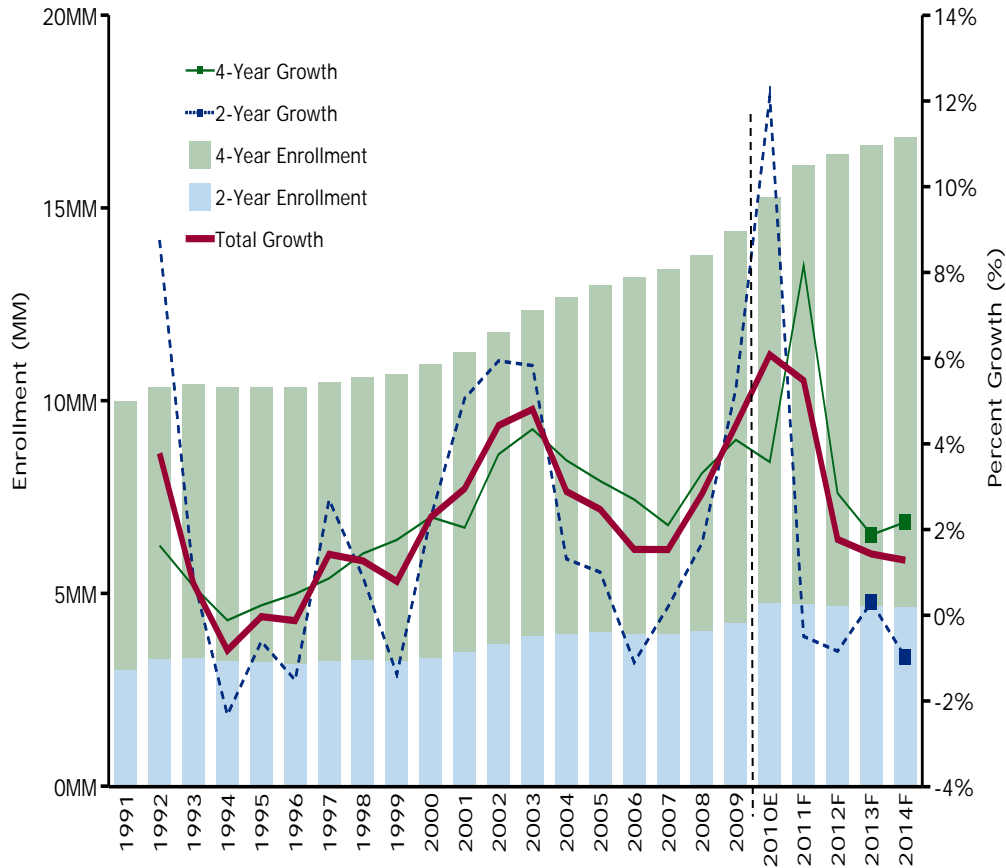


Core Market Dynamics

Market Segment	Dynamics
Higher Education	<ul style="list-style-type: none">• Nationwide, funding for higher education is expected to rise 2% this fiscal year (compared to 4.4% decline last year)• Expect slower enrollment growth as employment improves• Digital solutions becoming increasingly important
Research	<ul style="list-style-type: none">• Libraries continue to experience the effects of prior funding/budgeting reductions, although spending is beginning to increase in some school and college libraries
Career	<ul style="list-style-type: none">• Rapid growth over the last decade• 2010 challenging due to regulatory oversight• Slower enrollment growth forecast in 2011• Strong interest in digital products that link to outcomes
Professional	<ul style="list-style-type: none">• Significant potential through expanding business development efforts• Strong brands and alliances (e.g. automotive)
International	<ul style="list-style-type: none">• Strong desire to leverage Cengage platforms and models globally

Higher Education Market Dynamics

Post-Secondary Enrollment Growth, 1991-2014F



Note: Enrollment figures represent fall full-time equivalent students (FTE)
Source: NCES

- Challenging Winter selling season across the industry
- Enrollment growth moderating in all market segments in response to improving economy
- Increased adoption of the rental model, especially in 2010
- Strong interest in digital products of all types

Year (Cengage FY)

Our Transformational Vision

Leading Textbook &
Reference Publisher



Leading Learning &
Research Solutions
Provider

**Value to
Customers:**

- Turnkey product drives ease of use for faculty
- Well organized, authoritative content and sound pedagogy help students learn

- Better student engagement drives improved learning outcomes
- Analytical tools help faculty assess student performance
- Increased efficiencies for faculty

**Value to
Investors:**

- Relatively predictable economics driven by stickiness of product and proven business model
- Significant barriers to entry

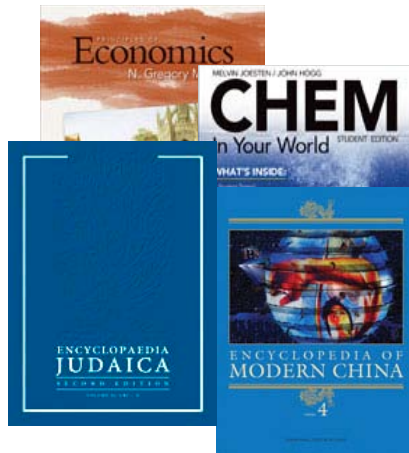
- Higher revenue and EBITDA growth driven by greater sell-through, better economics, and new revenue sources

Our Digital Transformation

Print Textbooks
and Reference

eBooks

Solutions



We started with leading
textbook franchises,
encyclopedias, and primary
source documents

Over time, we migrated to
eBooks and digital products

And now, we have integrated
applications, customized and
focused on improving
outcomes, bundled with
services

Data Validates The Digital Transformation

Key Metrics

- 30.9% of revenue
- 5.1 million users
- 2.6 million activations; 23% growth
- 61.7 million sessions; 35% growth
- 730.5 million retrievals; 15% growth

Digital product development

- 35% total revenue is re-invested in digital
- Current: Over 50% of all titles covered by a digital solution
- Future: Targeting over 70% by the Fall of 2012

eCommerce activity

- Approximately 35,000 unique products now available on Cengagebrain.com
- Year to date, nearly a 50% increase in visitors to Cengagebrain.com and over 80% increase in registered users

Digital Solutions Are Effective

2010 Study on the use of Cengage CourseMate:



- 94% of students “very satisfied” with solution
- 35% of students did not drop the course because of CourseMate
- Students receiving grades of D, F, or I decreased by 14%
- Students submitting homework increased by 11%
- **Overall GPA in course increased by 9%**

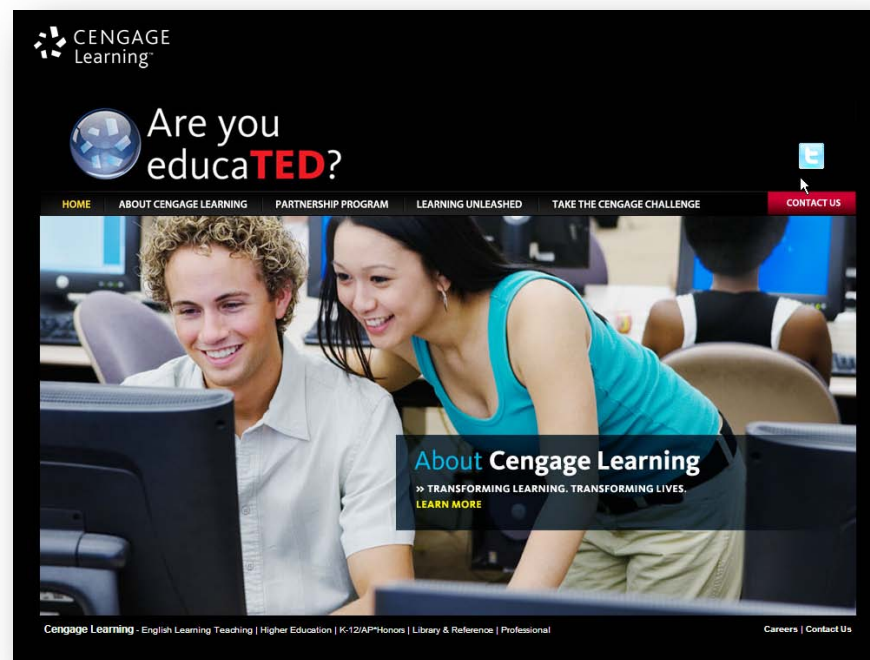
2010 Cengage/Eduventures Survey:

- Student engagement has improved **78%** with the use of digital tools
- **58%** of students believe that technology helps them engage with coursework

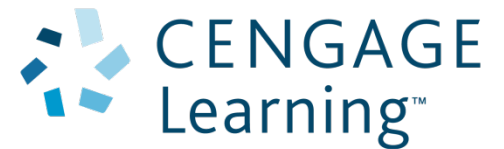
Moving Forward

- We are creating a new category of products that moves beyond eBooks and existing educational technologies/platforms
- The category and the new suite of resources within it are being launched at TED in Long Beach this week
- This will generate significant new opportunities for Cengage, allowing us to partner with technology/curriculum/services companies to build out our platform to better suit instructor needs

TED Ideas worth spreading



Financial Performance



Company Overview

Market-leading global businesses:

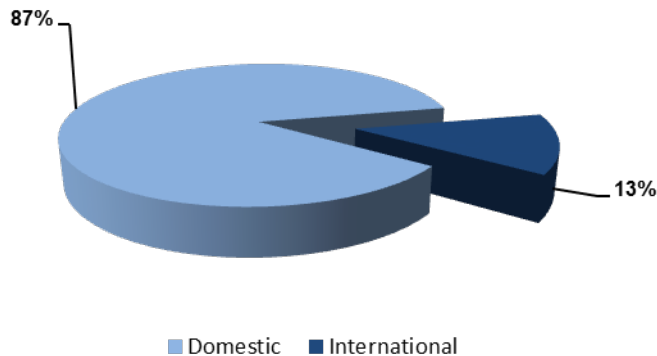
Domestic

- Print and digital learning solutions to the secondary and post-secondary education markets
- Digitally-enabled reference information, certification test preparation, compliance training and other professional learning tools to adjacent markets
- Content licensing for integration within web-based information services and third party distribution

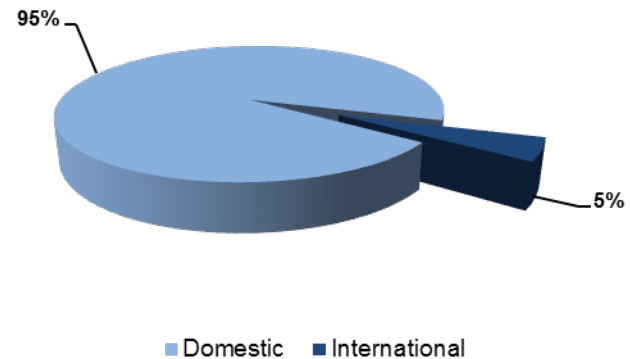
International

- Existing, adapted or indigenous textbook sales for international markets
- English language teaching products and reference resources for international regions

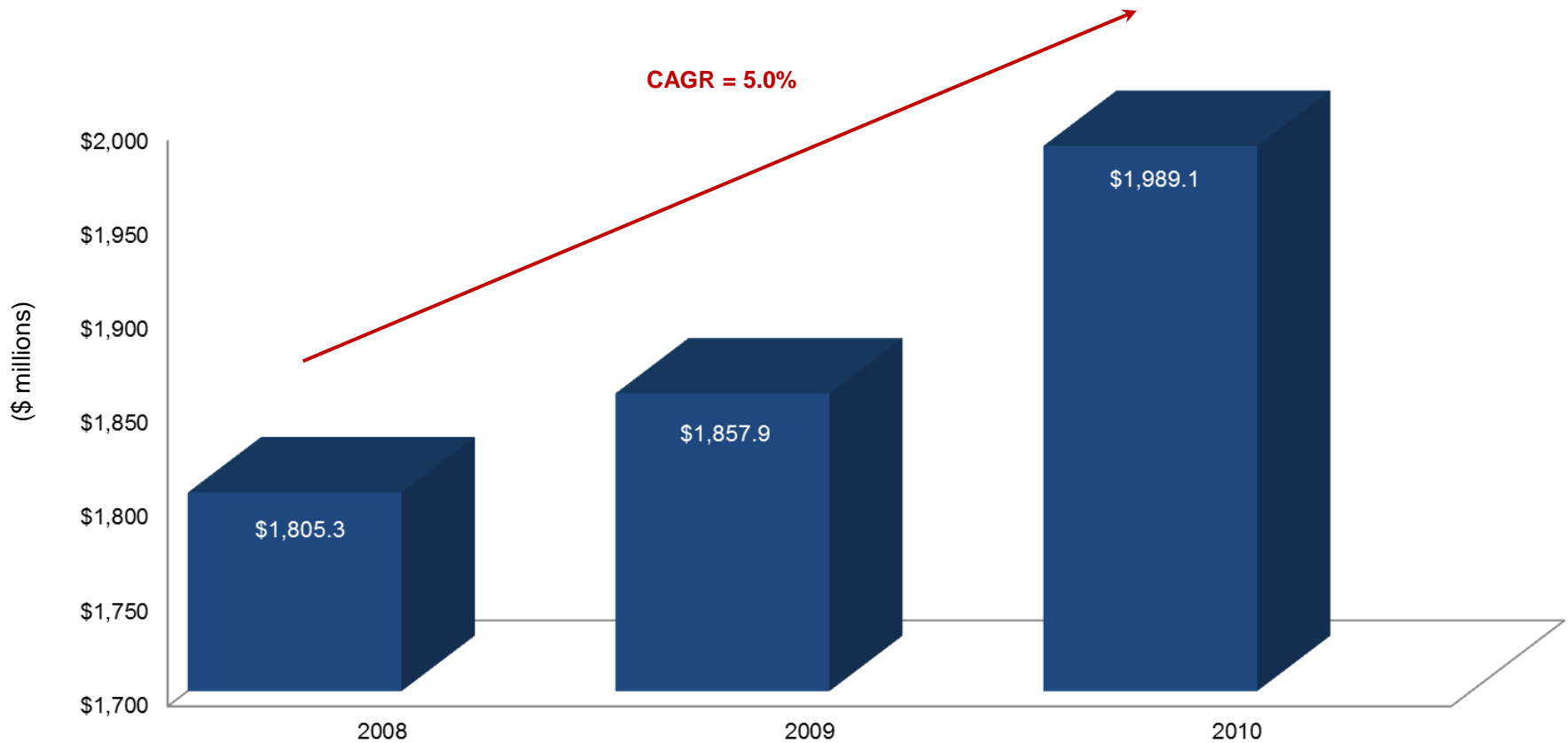
**Last Twelve Months
Revenue = \$2.0B ⁽¹⁾**



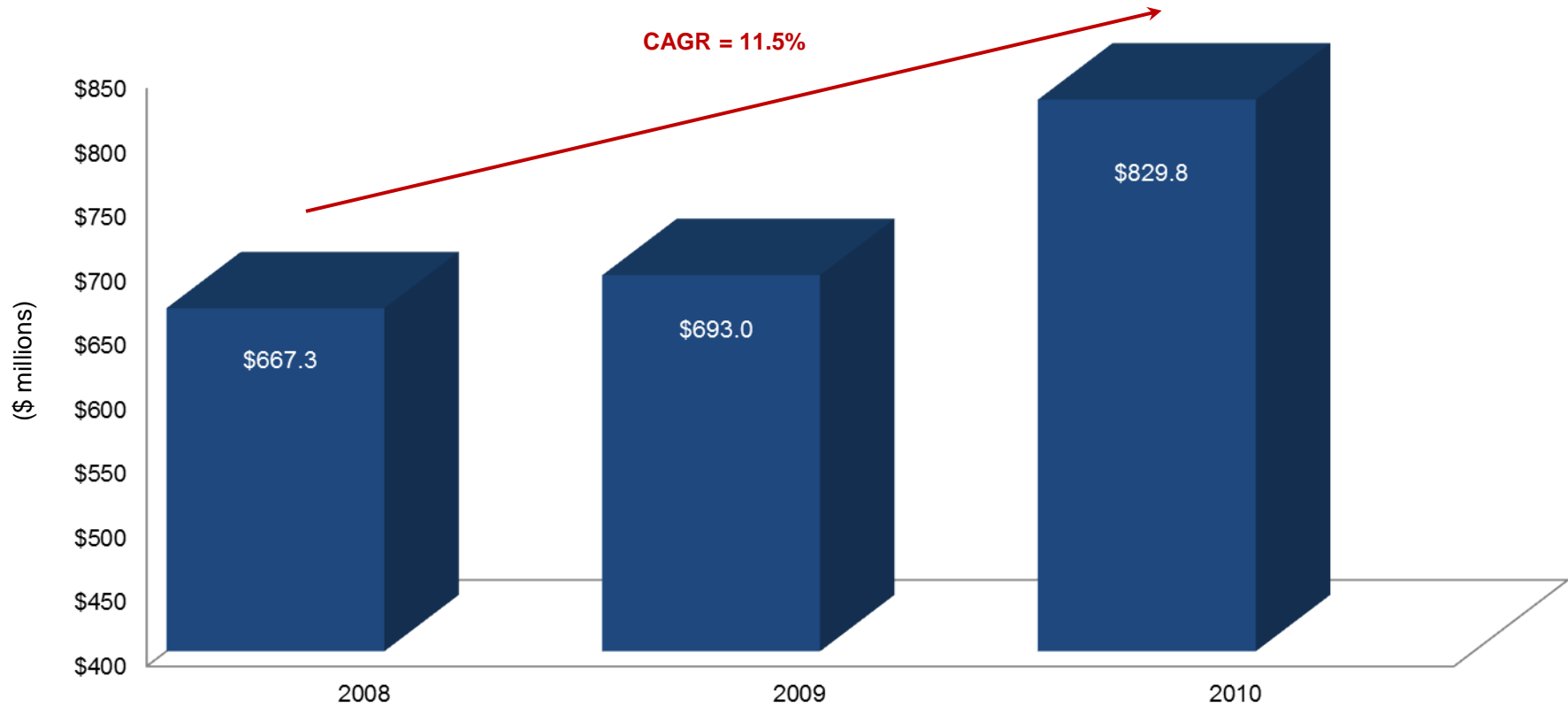
**Last Twelve Months
Adjusted EBITDA = \$830M ⁽¹⁾**



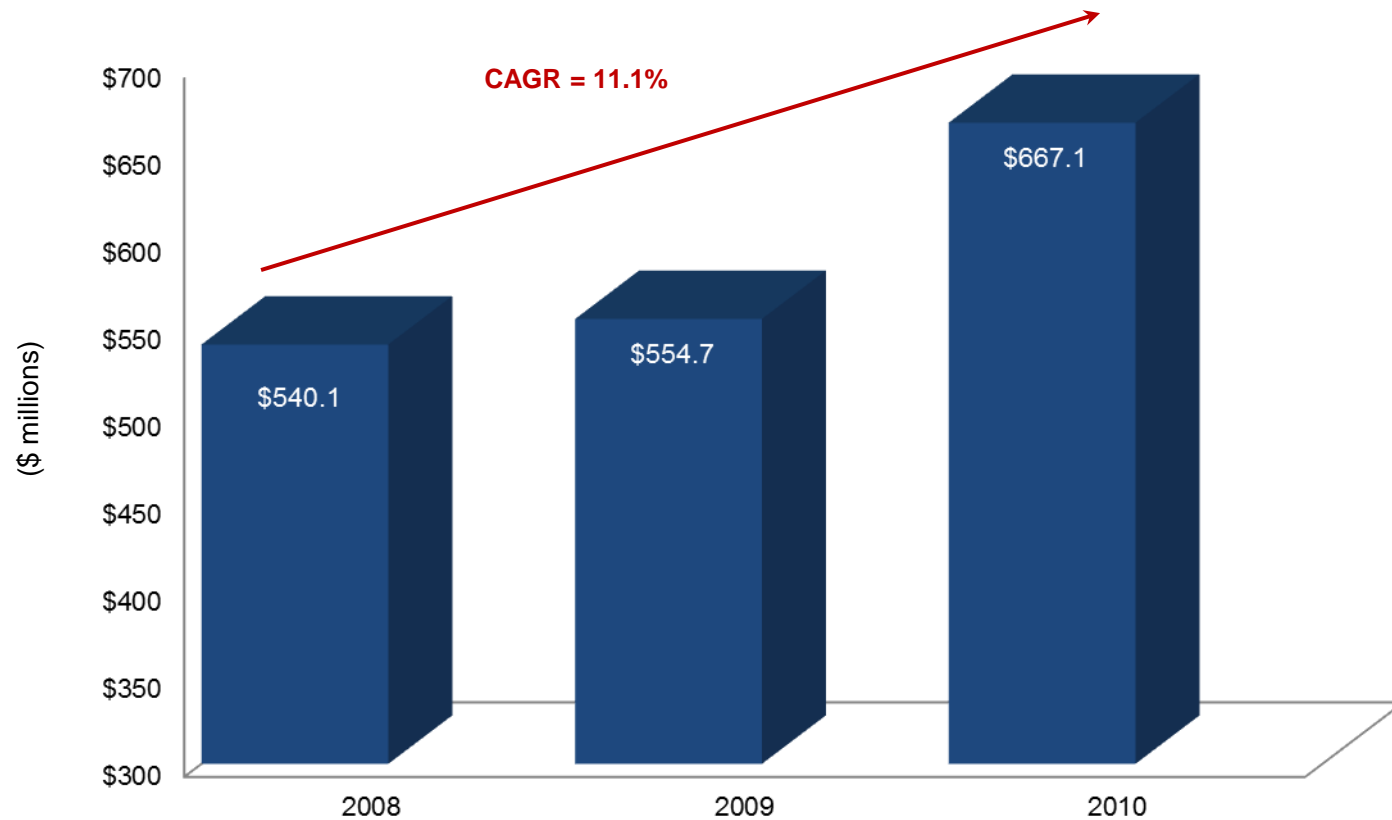
Revenue



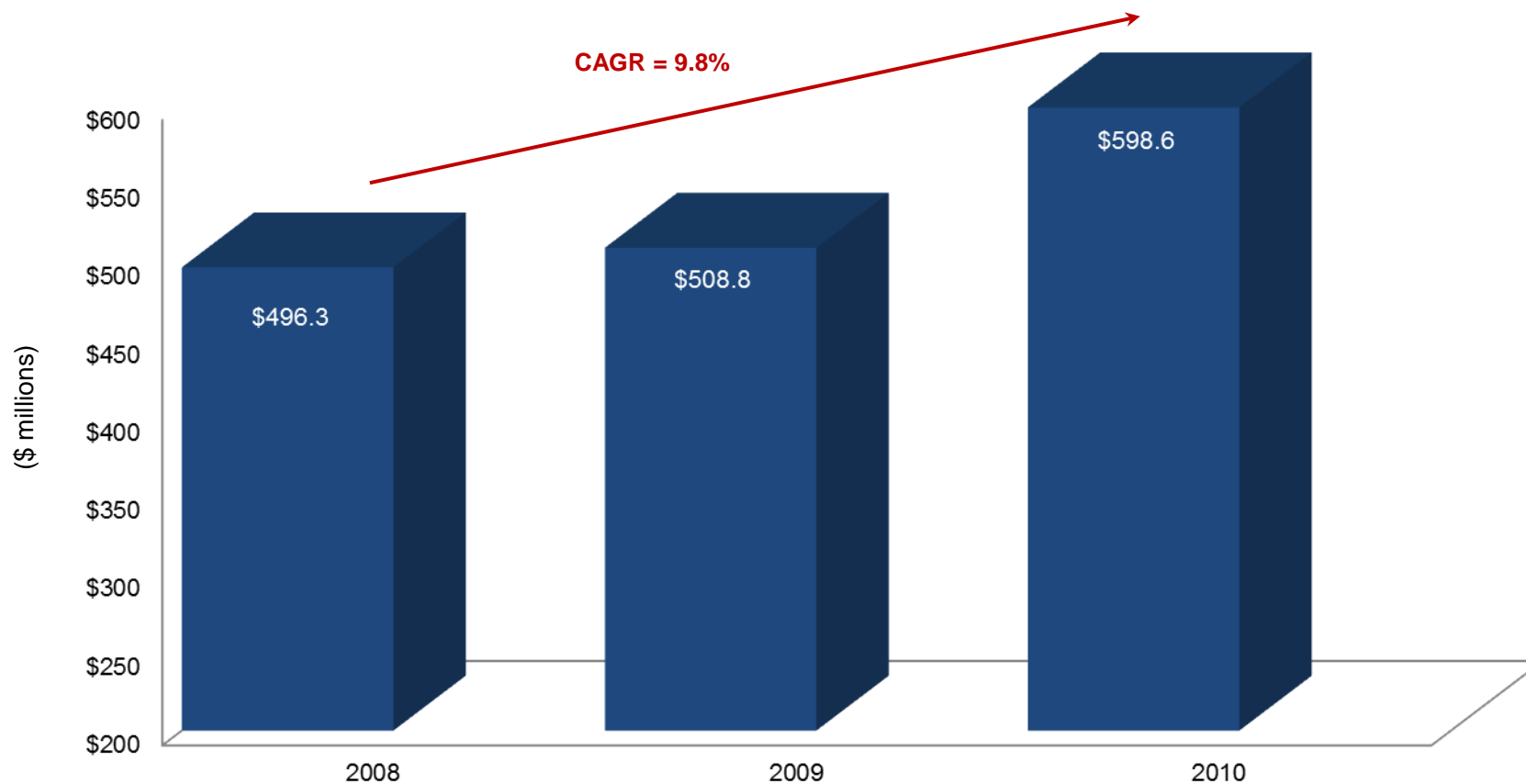
Adjusted EBITDA



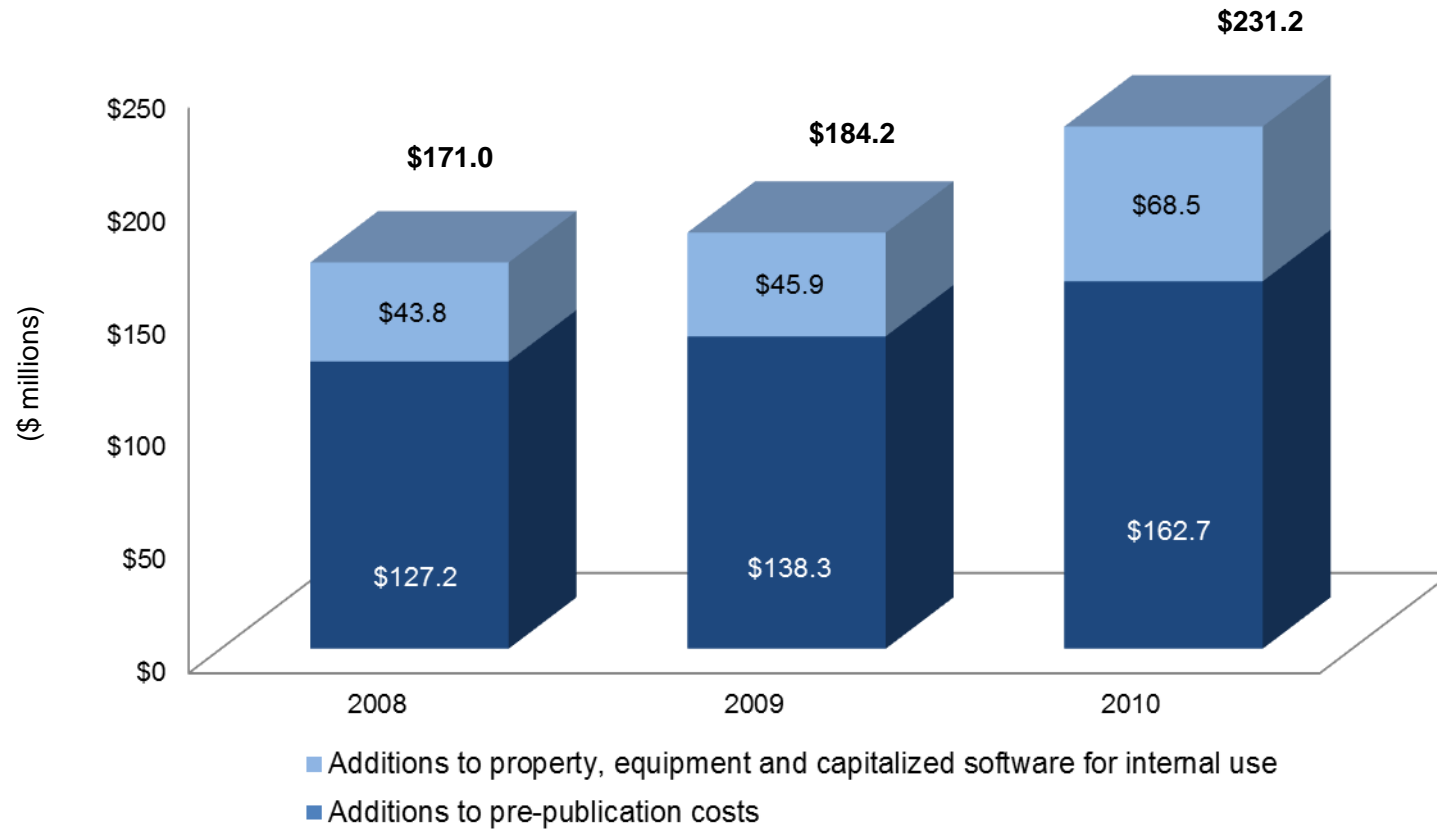
Adjusted EBITDA Less Pre-publication Spend



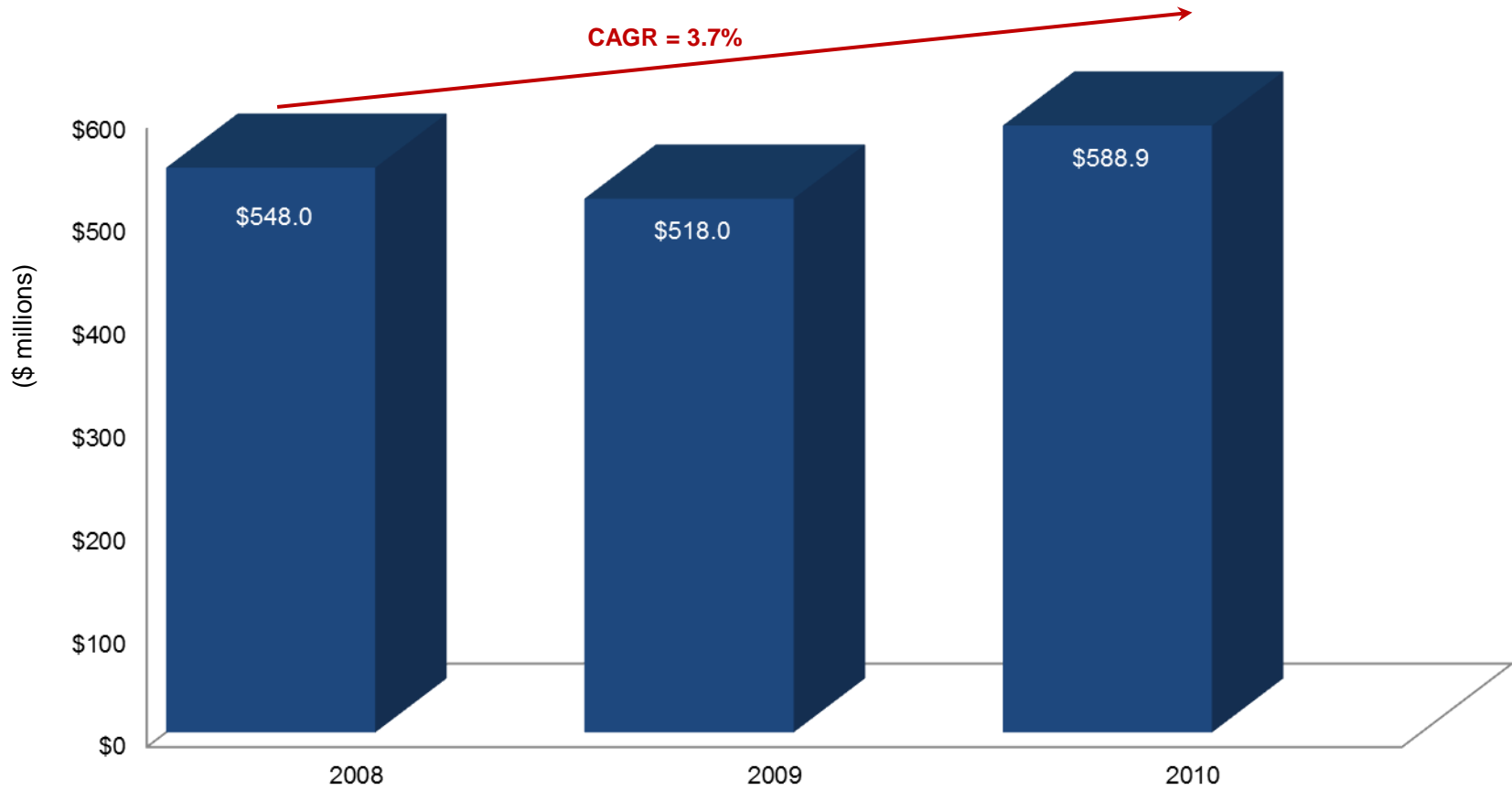
Adjusted EBITDA Less Capital Expenditures



Capital Expenditures



Unlevered Free Cash Flow



Liquidity

December 31, 2010

(\$) millions

Cash and Cash Equivalents	<u>185.7</u>
Revolving Credit Facility	\$300.0
Outstanding Letters of Credit	<u>(6.3)</u>
Available Revolving Credit Facility	<u>\$293.7</u>

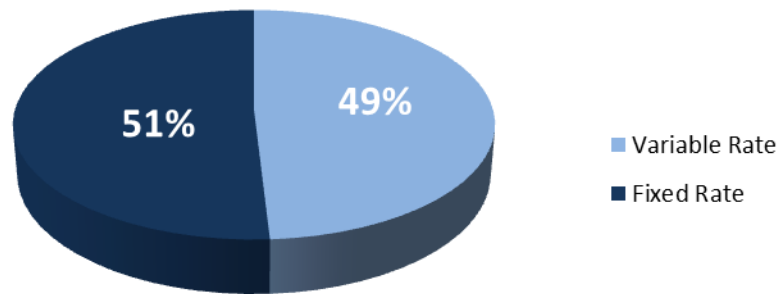
Net Indebtedness and Leverage Ratios

Net Indebtedness		Leverage Ratios at December 31, 2010	
(\$ Millions)	December 31, 2010	Credit Agreement:	
Term Loan	\$ 3,328.2	Credit Agreement Threshold	7.75
Incremental Term Loan	600.9	Senior Secured Leverage Ratio	4.48
10.50% Senior Notes	1,207.3	Total Leverage Ratio ¹	6.36
13.25% Senior Subordinated Discount Notes	407.7		
13.75% Senior PIK Notes	131.4		
Indebtedness	\$ 5,675.5		
Cash and cash equivalents	(185.7)		
Net Indebtedness	\$ 5,489.8		
Last Twelve Months Covenant Adjusted EBITDA	\$ 862.6		

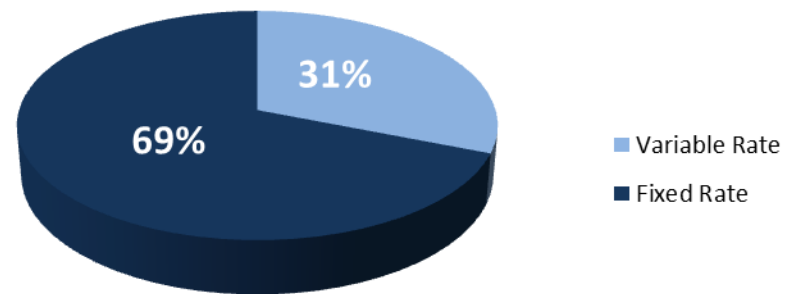
⁽¹⁾ Total Leverage Ratio is determined as the ratio of Net Indebtedness to Last Twelve Months Covenant Adjusted EBITDA (i.e., \$5,489.8 / \$862.6)

Interest Rate Risk Management

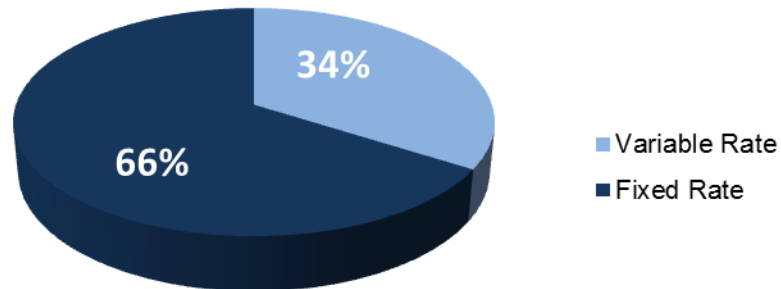
Term Loan at December 31, 2010



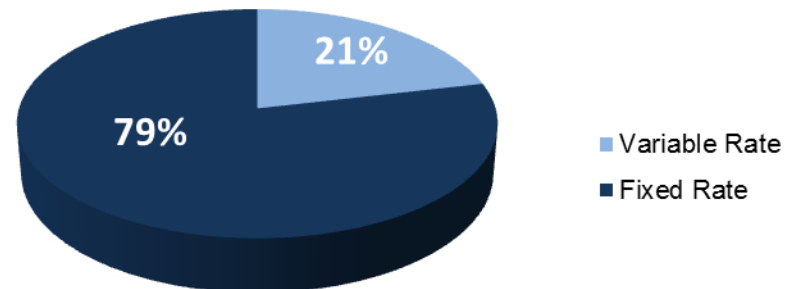
Term Loan at June 30, 2011



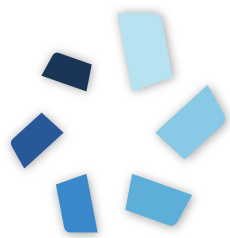
Total Debt at December 31, 2010⁽¹⁾



Total Debt at June 30, 2011⁽¹⁾



⁽¹⁾ We classify the Incremental Term Loan as fixed rate debt for interest rate management purposes given its 3.75% interest rate floor.



Questions and Answers