

Investor Call

September 23, 2011



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 (i) risk 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, 2011 and the "Risk Factors" section of the Annual Report and (ii) other factors that we currently deem immaterial or are not known to us. Please consult these documents for a more complete understanding of these risks and uncertainties. Except as otherwise required by law, 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.

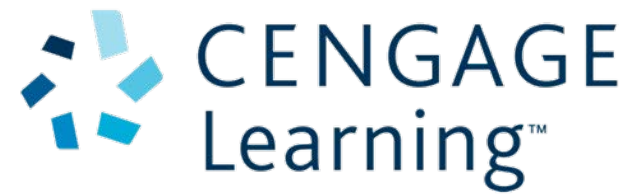
Non-GAAP Financial Measures

- This presentation also contains disclosures of Adjusted EBITDA, Unlevered Free Cash Flow and Bank 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.

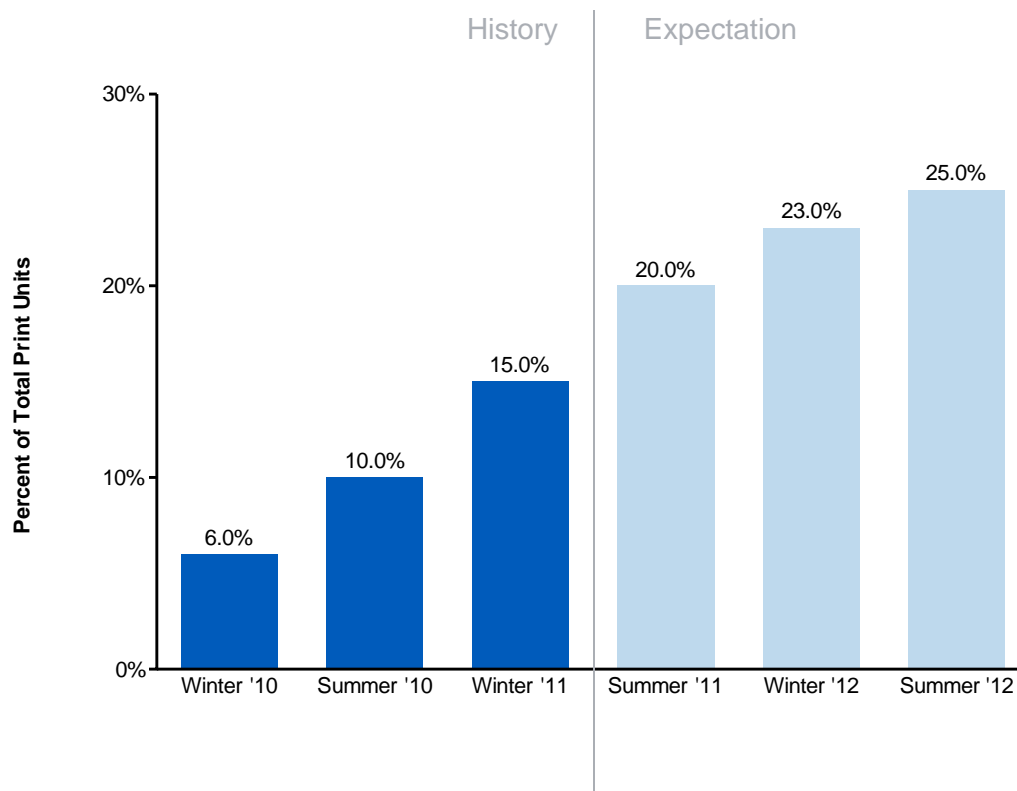
- ❁ Welcome / Introductions Dave Faiman
- ❁ Strategy & Business Update Ron Dunn
- ❁ Financial Update & Investor Relations Dean Durbin
- ❁ Questions & Answers

Strategy & Business Update

Ron Dunn



Rental as a Percent of Total Units



Drivers of Growth

- ❖ Price
- ❖ Awareness and familiarity
- ❖ New suppliers

Limiters to Growth

- ❖ Product type
- ❖ Title availability
- ❖ Student preference

Source: Student Monitor (History Only);
Cengage Learning Projections

1. Lead the migration to digital solutions
2. Demonstrate improved learning through superior outcomes
3. Leverage our core business to drive international growth

1. Lead the migration to digital solutions

- ❁ Digital solutions create new opportunities for our business
- ❁ Licensing model allows for revenue opportunities beyond the initial sale
- ❁ Digital technology enables increased speed-to-market
- ❁ Digital offers greater flexibility to incorporate alternative sources of content

2. Demonstrate improved learning through superior outcomes

- ❖ Government/Financial Aid regulations make student outcomes more important than ever
- ❖ Investing in means of measuring the efficacy of solutions
- ❖ Digital solutions allow for the illustration of improved learning and outcomes where it was much more difficult to track with a print-only model

3. Leverage our core business to drive international growth

- ✿ Mix of adaptation and organic development
 - ✿ Adaptations of solutions originally developed for domestic business
 - ✿ Engage local authors and develop products to meet the precise needs of our customers in individual geographic locations
- ✿ Applied benefits of global scale

- ✦ National Geographic School Publishing Acquisition
- ✦ Launch of MindTap
- ✦ LMS Partnership Strategy
- ✦ CourseCare Update

National Geographic School Publishing Acquisition

- ❖ Acquisition of National Geographic School Publishing completed in August
- ❖ Now branded “**National Geographic Learning**” – will replace six brands within our English Language Teaching (ELT) portfolio including Hampton-Brown and Heinle to leverage National Geographic’s global brand recognition
- ❖ Benefits:
 - ❖ Allows Cengage Learning to leverage the powerful “National Geographic” name across our brands and markets
 - ❖ Expands market share in rapidly growing ELT global market

Launch of MindTap

- ❁ MindTap 1.0 launched in August – marks first production release
- ❁ Live products currently in use for:
 - ❁ Economics
 - ❁ History
 - ❁ Medical Terminology
- ❁ New Apps for MindTap (MindApps) have been developed/released from:
 - ❁ Panopto (lecture capture software)
 - ❁ ConnectYard (social media)
 - ❁ Kaltura (media fileshare)
 - ❁ NetTutor (online tutoring)
- ❁ Full page ad and innovative social media campaign in New York Times Sunday Magazine Education issue (September 18th) to build awareness

Learning Management Systems Partnership Strategy

- ❖ According to the Campus Computing Project, a majority of higher ed institutions use an LMS
- ❖ Partnering with LMS providers such as Blackboard and Moodle rooms creates a deeper integration and full interoperability of Cengage Learning's digital solutions
- ❖ LMS partnerships will achieve the following:
 - ❖ Improved customer experience
 - ❖ Increased engagement and retention
 - ❖ Improved learning outcomes
 - ❖ Further integration of CL products into each institution's system
- ❖ Unlike our competitors, our partnership arrangements allow for our technology and solutions to live in our environment, ensuring they are working to their full potential
- ❖ Cengage Learning is taking an LMS-agnostic approach working with all LMS providers

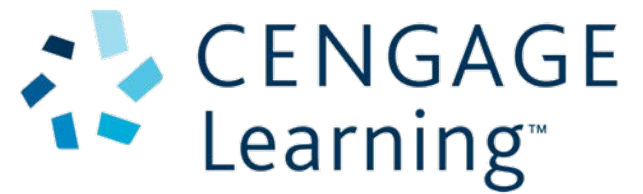
CourseCare Update

CourseCare – is a customer service program that's unique in the industry and offers unparalleled service and support to Cengage Learning Digital Solution customers

- ❁ Almost 200 dedicated individuals staff CourseCare
- ❁ Since 2010 roll-out, more than 6,300 instructors have experienced CourseCare
- ❁ 95% agree that they would recommend the CourseCare training to a colleague
- ❁ CourseCare leads to an increase in migration from print to digital formats- 93% of instructors agree that because of CourseCare they are more likely to suggest that their colleagues use a Cengage Learning digital solution

Financial Update & Investor Relations

Dean Durbin

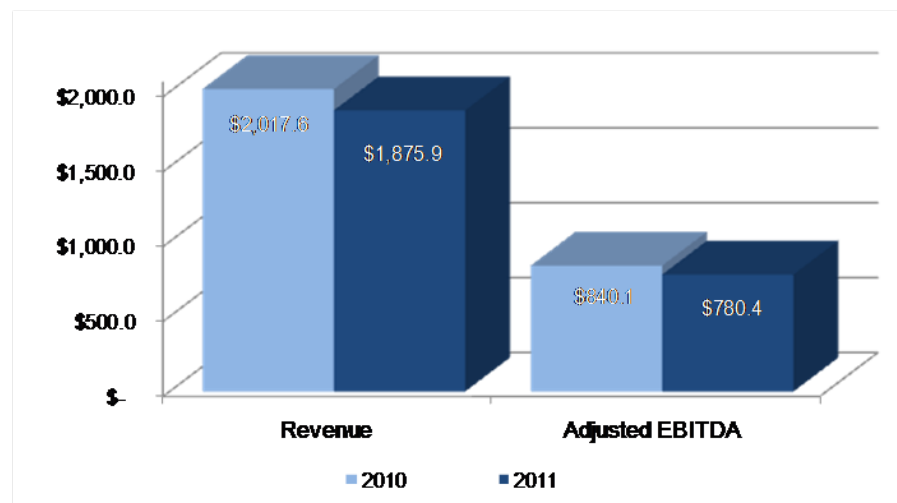


Full Year Consolidated Financial Results

Full Year Consolidated Financial Results

<i>(\$ Millions)</i>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Revenue	\$ 1,875.9	\$ 2,017.6	-7.0%
Adjusted EBITDA	\$ 780.4	\$ 840.1	-7.1%
Margin	41.6%	41.6%	
Capital Expenditures	\$ 252.5	\$ 203.0	24.4%
Unlevered Free Cash Flow	\$ 506.6	\$ 596.7	-15.1%

Revenue and Adjusted EBITDA



Liquidity and Capital Resources

Liquidity at June 30,

(\$ Millions)

	2011	2010
Cash and cash equivalents	\$ 34.2	\$ 27.0
Revolving Credit Facility	\$ 300.0	\$ 300.0
Outstanding Letters of Credit	(2.6)	(6.3)
Outstanding Borrowings	(24.0)	(66.0)
Available under the Revolving Credit Facility	\$ 273.4	\$ 227.7

Leverage Ratios at June 30,

	2011	2010
Credit Agreement:		
Threshold	7.75	7.75
Leverage Ratio	4.76	4.58
Total Leverage Ratio¹	7.00	6.61

Net Indebtedness at June 30,

(\$ Millions)	2011	2010
Term Loan	\$ 3,311.0	\$ 3,345.4
Incremental Term Loan	599.0	602.7
Revolving Credit Facility	24.0	66.0
10.50% Senior Notes due 2015	1,208.4	1,206.3
13.25% Senior Subordinated Discount Notes due 2015	407.7	407.7
13.75% Senior PIK Notes due 2015	140.4	137.7
Indebtedness	5,690.5	5,765.8
Cash and cash equivalents	(34.2)	(27.0)
Net Indebtedness	\$ 5,656.3	\$ 5,738.8
Last Twelve Months Bank EBITDA²	\$ 808.6	\$ 868.3

Total Leverage Ratio is determined as the ratio of Net Indebtedness to Last Twelve Months Bank EBITDA (i.e., \$5,656.3 / \$808.6 for fiscal year 2011 and \$5,738.8 / \$868.3 for fiscal year 2010). We calculate Bank EBITDA pursuant to the terms of our Credit Agreement.

Acquisition of National Geographic School Publishing

- ❁ Purchase consideration of \$72 million plus \$8 million deferred consideration
 - ❁ Funded with cash/revolver
- ❁ Calendar year 2010 revenues of \$72 million
- ❁ EBITDA positive, neutral to leverage ratio, dilutive to EBITDA margins
- ❁ First 4 years, National Geographic eligible to earn 40% of revenue in excess of specified targets

Purchases of Outstanding Debt since July 1, 2011

- ❖ Subsequent to our fiscal year end, we purchased \$174.1 million of the Senior Subordinated Discount Notes and \$14.1 million of the Senior PIK Notes.
- ❖ The total cash payments associated with these debt purchases was \$144.9 million.
- ❖ Cash gain of \$43.3 million, plus \$22.6 million of annual cash interest savings.
- ❖ July 2012 “AHYDO” principal payments are now \$72 million.

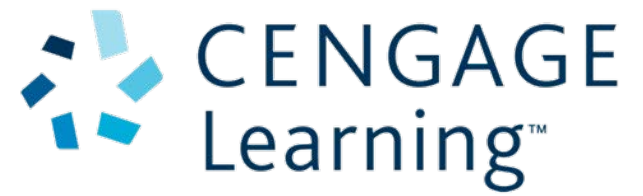
Communications Plan

- ❖ Attendance at four major high yield conferences including the Deutsche Bank High Yield Conference (Oct 11'- Phoenix, AZ) and Citibank (Nov 11'- New York)
- ❖ Continued quarterly earnings calls and Q&A
- ❖ Improved and expanded communications materials including a series of digital demo videos

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”: Defined as Net income (loss) before: income (loss) from discontinued operations, net of tax, equity losses of affiliates, net of taxes, benefit from (provision for) income taxes, interest expense, net, mark-to-market of derivative instruments, gain on early extinguishment of debt, other expense, net; amortization and impairment of identifiable intangible assets, impairment of goodwill, depreciation, restructuring charges and the amortization of pre-publication costs. 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 our ongoing operating business.

“Unlevered Free Cash Flow”: Calculated as net cash provided by operating activities of continuing operations excluding net cash paid for interest and debt repayments in lieu of interest, reduced for cash expenditures relating to additions to pre-publication costs and additions to property, equipment and capitalized software for internal use, which we view as investments required to ensure the sustainability and continued growth of our business. We believe that this liquidity measure provides a clearer picture of the cash flow produced and reinvested by the ongoing business, before debt service.

“Bank 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 Bank EBITDA pursuant to the terms of our Credit Agreement. We previously referred to this measure as “Covenant Adjusted EBITDA”.

Adjusted EBITDA Reconciliation – Three and Twelve Months Ended June 30

	Three Months Ended June 30,		Years Ended June 30,		
	2011	2010	2011	2010	2009
Adjusted EBITDA	\$ 201.5	\$ 234.0	\$ 780.4	\$ 840.1	\$ 754.1
Less:					
Amortization of pre-publication costs	(39.1)	(30.9)	(142.2)	(140.7)	(144.9)
Restructuring reversals (charges)	2.8	(3.1)	(0.6)	(10.5)	(13.3)
Depreciation	(13.3)	(11.1)	(47.3)	(47.0)	(59.3)
Impairment of goodwill	-	-	-	-	(824.1)
Amortization and impairment of identifiable intangible assets	(41.7)	(41.6)	(167.5)	(164.8)	(511.3)
Other (expense) income, net	-	(3.5)	-	(3.6)	0.1
Gain on early extinguishment of debt	-	-	1.9	9.2	341.1
Mark-to-market of derivative instruments	17.3	21.0	63.5	66.9	37.7
Interest expense, net	(117.9)	(126.7)	(480.5)	(515.1)	(588.8)
(Provision for) benefit from income taxes	(31.5)	11.9	(37.7)	15.8	37.9
Equity losses of affiliates, net of taxes	(0.9)	(0.7)	(2.9)	(2.4)	(1.6)
Loss from discontinued operations, net of taxes	-	(0.9)	(3.8)	(0.7)	(25.2)
Net (loss)income	\$ (22.8)	\$ 48.4	\$ (36.7)	\$ 47.2	\$ (997.6)

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 and presented in the Annual Report For The Fiscal Year Ended June 30, 2011.

Unlevered Free Cash Flow Reconciliation – Twelve Months Ended June 30

	Years Ended June 30,		
	2011	2010	2009
Net cash provided by operating activities of continuing operations	\$ 363.7	\$ 397.0	\$ 273.6
Add back:			
Cash interest paid	391.0	395.4	401.4
Repayments of long-term debt, in lieu of interest	4.4	7.3	57.6
Additions to pre-publication costs	(166.3)	(146.7)	(136.9)
Additions to property, equipment and capitalized software for internal use	(86.2)	(56.3)	(48.6)
Unlevered Free Cash Flow	<u>\$ 506.6</u>	<u>\$ 596.7</u>	<u>\$ 547.1</u>

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 and presented in the Annual Report For The Fiscal Year Ended June 30, 2011.

Bank EBITDA Reconciliation

	Twelve Months Ended June 30, 2011
Net loss	\$ (36.7)
Adjustments:	
Provision for income taxes	37.7
Interest expense	481.3
Interest income	(0.8)
Mark-to-market of derivative instruments	(63.5)
Gain on early extinguishment of debt	(1.9)
Amortization of identifiable intangible assets	167.5
Depreciation	47.3
Amortization of pre-publication costs	142.2
Non-cash equity-based compensation	8.1
Sponsor management fee	10.7
Pro forma EBITDA from acquisitions	0.5
Restructuring, integration and business optimization expenses	9.0
Other	7.2
Bank EBITDA	<u>\$ 808.6</u>

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 and presented in the Annual Report For The Fiscal Year Ended June 30, 2011.



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