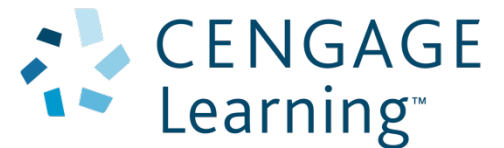


Fiscal 2010 Second Quarter Investor Call

February 12, 2010



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 Second Quarter Report for the Three and Six Months Ended December 31, 2009 and the "Risk Factors" section of the Annual Report for the Fiscal Year Ended June 30, 2009. 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 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

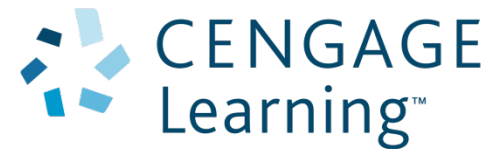
 Financial Results

Dean Durbin

 Questions & Answers

Business Update

Ron Dunn



Business Update

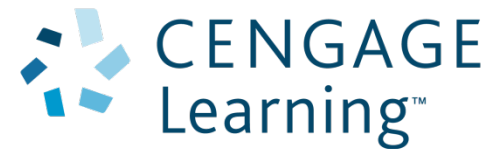
 Market Conditions

 Performance Overview

 Digital Update

Financial Results

Dean Durbin



Consolidated Financial Results

Second Quarter

(\$ Millions)	<u>2010</u>	<u>2009</u>	<u>Change</u>
Revenue	\$ 423.3	\$ 443.9	-4.6%
EBITDA	\$ 136.9	\$ 153.0	-10.5%
Margin	32.3%	34.5%	
Capital Expenditures	\$ 47.5	\$ 49.5	-4.0%
Unlevered Free Cash Flow	\$ 213.3	\$ 283.7	-24.8%

Year to Date

(\$ Millions)	<u>2010</u>	<u>2009</u>	<u>Change</u>
Revenue	\$ 1,121.8	\$ 1,205.2	-6.9%
EBITDA	\$ 493.4	\$ 548.6	-10.1%
Margin	44.0%	45.5%	
Capital Expenditures	\$ 79.7	\$ 80.9	-1.5%
Unlevered Free Cash Flow	\$ 478.5	\$ 507.8	-5.8%

Second Quarter Overview

Revenue

Decline of \$20.6 reflecting:

- ✿ \$32.1 of unfavorable adjustments to the sales returns reserve in the U.S. reflecting change in our sales mix, and
- ✿ Decline in Gale driven by unfavorable impact of economic environment,
- ✿ Partially offset by growth in the higher education and career channels within our Academic & Professional segment, and
- ✿ \$7.8 favorable impact of foreign currency translation

EBITDA

Decline of \$16.1 reflecting:

- ✿ Decreased contribution from lower revenues,
- ✿ Higher employee costs from acquisitions and new investments, and
- ✿ \$7.4 of restructuring charges,
- ✿ Partially offset by the benefit of cost containment measures and lower royalty, paper, printing & binding and other variable costs

Unlevered Free Cash Flow

Decrease of \$70.4 reflecting:

- ✿ Lower EBITDA, and
- ✿ Net changes in working capital driven by lower accounts receivable collections due to timing of sales in the U.S.

Academic & Professional Group

Second Quarter

(\$ Millions)	<u>2010</u>	<u>2009</u>	<u>Change</u>
Revenue	\$ 357.2	\$ 362.4	-1.4%
EBITDA	\$ 122.7	\$ 119.6	2.6%
<i>Margin</i>	<i>34.4%</i>	<i>33.0%</i>	

Year to Date

(\$ Millions)	<u>2010</u>	<u>2009</u>	<u>Change</u>
Revenue	\$ 982.7	\$ 1,043.9	-5.9%
EBITDA	\$ 457.0	\$ 487.2	-6.2%
<i>Margin</i>	<i>46.5%</i>	<i>46.7%</i>	

Second Quarter Overview

Revenue

Decrease of \$5.2 reflecting:

- ❖ Unfavorable sales returns reserve adjustments of \$32.1 reflecting change in our sales mix,
- ❖ Partially offset by growth in our higher education and career channels driven by higher enrollments, and
- ❖ \$7.8 favorable impact of foreign currency translation

EBITDA

Increase of \$3.1 reflecting:

- ❖ Lower royalties, paper, printing & binding and other variable costs, and
- ❖ Benefit of cost containment measures,
- ❖ Partially offset by lower revenues, and
- ❖ \$7.4 of restructuring charges

Gale

Second Quarter

(\$ Millions)	<u>2010</u>	<u>2009</u>	<u>Change</u>
Revenue	\$ 63.9	\$ 79.9	-20.0%
EBITDA	\$ 23.0	\$ 39.7	-42.1%
Margin	36.0%	49.7%	

Year to Date

(\$ Millions)	<u>2010</u>	<u>2009</u>	<u>Change</u>
Revenue	\$ 133.6	\$ 156.0	-14.4%
EBITDA	\$ 50.0	\$ 76.1	-34.3%
Margin	37.4%	48.8%	

Second Quarter Overview

Revenue

Decline of \$16.0 reflecting:

- ✿ Lower print sales and digital sales reflecting the economy's impact on library funding for reference materials,
- ✿ Partially offset by revenue from HighBeam acquisition

EBITDA

Decline of \$16.7 reflecting:

- ✿ Reduced contribution from lower revenues, and
- ✿ Higher employee costs driven by acquisitions and investments in new product development

Liquidity and Capital Resources

Liquidity

<i>(\$ Millions)</i>	<u>December 31, 2009</u>
Cash and cash equivalents	<u>\$ 87.4</u>
Revolving Credit Facility	\$ 300.0
Outstanding Letters of Credit	(5.6)
Outstanding Borrowings	-
Available under the Revolving Credit Facility	<u>\$ 294.4</u>

Leverage Ratios at December 31, 2009

Threshold	8.00
Credit Agreement Leverage Ratio	5.40
Total Leverage Ratio ¹	7.74

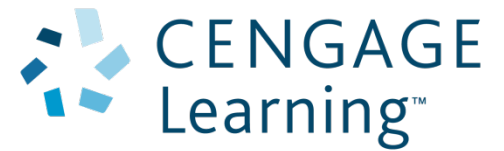
Net Indebtedness

<i>(\$ Millions)</i>	<u>December 31, 2009</u>
Term Loan Facility	\$ 3,362.6
Incremental Term Loan Facility	604.7
10.50% Senior Notes due 2015	1,205.3
13.25% Senior Subordinated Discount Notes due 2015	407.7
13.75% Senior PIK Notes due 2015	128.8
Senior Bridge Loan Credit Facility	-
Indebtedness	<u>5,709.1</u>
Cash and cash equivalents	(87.4)
Net Indebtedness	<u>\$ 5,621.7</u>
Last Twelve Months Adjusted EBITDA ²	<u>\$ 726.6</u>

¹ Total Leverage Ratio is determined as the ratio of Net Indebtedness to Last Twelve Months Adjusted EBITDA (i.e., \$5,621.7 / \$726.6)

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 16 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 from continuing operations before the amortization of identifiable intangible assets, depreciation, and amortization of pre-publication costs. 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 12, “Segment Information” of our Second Quarter Report for the Three and Six Months Ended December 31, 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 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, net of proceeds from disposals. 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 page 15 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 16 of this presentation.

EBITDA Reconciliation – Three and Six Months Ended December 31, 2009 and 2008

	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
Total segment EBITDA	\$ 136.9	\$ 153.0	\$ 493.4	\$ 548.6
Less:				
Amortization of pre-publication costs	(33.6)	(33.7)	(83.0)	(87.0)
Depreciation	(13.8)	(16.0)	(25.5)	(30.8)
Amortization of identifiable intangible assets	(41.1)	(45.4)	(82.2)	(91.2)
Operating income from continuing operations	<u>\$ 48.4</u>	<u>\$ 57.9</u>	<u>\$ 302.7</u>	<u>\$ 339.6</u>

Unlevered Free Cash Flow Reconciliation – Three and Six Months Ended December 31, 2009 and 2008

	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
Net cash provided by operating activities of continuing operations	\$ 191.8	\$ 255.6	\$ 361.7	\$ 368.1
Addback:				
Cash interest paid	61.7	73.7	189.2	212.1
Repayments of long-term debt, in lieu of interest	7.3	3.8	7.3	8.5
Additions to pre-publication costs	(35.1)	(31.8)	(60.5)	(59.1)
Additions to property, equipment and capitalized software for internal use, net	(12.4)	(17.6)	(19.2)	(21.8)
Unlevered Free Cash Flow	<u>\$ 213.3</u>	<u>\$ 283.7</u>	<u>\$ 478.5</u>	<u>\$ 507.8</u>

Adjusted EBITDA Reconciliation

	Twelve Months Ended December 31, 2009
	<u> </u>
Net loss	\$ (976.3)
Adjustments:	
Benefit from income taxes	(52.7)
Interest expense	547.8
Interest income	(0.6)
Mark-to-market of derivative instruments	(74.7)
Gain on early extinguishment of debt	(291.5)
Amortization and impairment of identifiable intangible assets	508.0
Impairment of goodwill	831.6
Depreciation	54.3
Amortization of pre-publication costs	140.9
Non-cash equity-based compensation	5.9
Management fee	10.8
Pro forma EBITDA from acquisitions	1.9
Non-recurring items and other	21.2
Adjusted EBITDA	<u>\$ 726.6</u>

Revenues and EBITDA – Last Twelve Months

	Twelve Months Ended December 31,		Growth %
	2009	2008	
Revenues			
Academic & Professional	\$ 1,591.9	\$ 1,519.3	4.8%
Gale	274.6	303.0	-9.4%
Corporate and other	8.1	2.8	NM
Total Revenues	<u>\$ 1,874.6</u>	<u>\$ 1,825.1</u>	2.7%
Segment EBITDA			
Academic & Professional	\$ 618.7	\$ 560.2	10.4%
Gale	100.1	135.7	-26.2%
Corporate and other	(33.2)	(43.5)	23.7%
Total Segment EBITDA	<u>\$ 685.6</u>	<u>\$ 652.4</u>	5.1%
Margin	36.6%	35.7%	

NM = Not meaningful