

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of Earliest Event Reported): August 13, 2018

Cambium Learning Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34575
(Commission
File Number)

27-0587428
(I.R.S. Employer
Identification No.)

17855 Dallas Parkway, Suite 400, Dallas, Texas
(Address of principal executive offices)

75287
(Zip Code)

Registrant's telephone number, including area code: (888) 399-1995

Not Applicable
Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On August 13, 2018, Cambium Learning Group, Inc. (the "Company") issued a press release announcing its financial results for the three and six months ended June 30, 2018. A copy of the press release is attached hereto as Exhibit 99.1.

Item 7.01 Regulation FD Disclosure.

On August 13, 2018, the Company hosted a conference call to discuss its financial results for the three and six months ended June 30, 2018. A transcript of the conference call is attached hereto as Exhibit 99.2.

The information in this current report on Form 8-K and the exhibits attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

| Exhibit No. | Description |
|-------------|---|
| 99.1 | Press Release, dated August 13, 2018 |
| 99.2 | Transcript of Cambium Learning Group, Inc.'s earnings conference call held on August 13, 2018 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Cambium Learning Group, Inc.

August 16, 2018

/s/ Barbara Benson

Name: Barbara Benson

Title: Chief Financial Officer



Cambium Learning Group Reports Second Quarter 2018 Financial Results

Bookings Trends Accelerate into Important Back-to-School Selling Season

Learning A-Z Bookings Up 26% for Q2 Year-over-Year, Up 13% Year-to-Date

ExploreLearning Bookings Up 15% for Q2 Year-over-Year, Up 14% Year-to-Date

Reiterating Full-Year Outlook

DALLAS, TX – August 13, 2018 – Cambium Learning® Group, Inc. (Nasdaq: ABCD, the "Company"), a leading educational technology solutions company committed to helping all students reach their full potential, announced today financial results for its second quarter ended June 30, 2018.

SECOND QUARTER 2018 RESULTS

"Cambium Learning Group's first half results were strong, trending well as we head into the crucial third quarter back-to-school selling season," stated John Campbell, Chief Executive Officer. "Second quarter Bookings grew 11% compared to the second quarter of 2017, led by double-digit increases in our SaaS segments of 26% at Learning A-Z and 15% at ExploreLearning. We executed well in the quarter on our planned strategic investments in development, marketing and sales initiatives to support the long-term growth of our digital solutions, which are reflected as expected in first half results. Two of our Learning A-Z solutions earned prestigious Software and Information Industry Association CODiE Awards: Raz-Plus, for Best Solution for Special Needs Students, and Science A-Z, for Best Science Instruction Solution, marking the seventh consecutive year that one of our products has won. Overall, we are well-positioned heading into the second half selling season."

Financial Snapshot

For the quarter ended June 30, 2018, the Company reported the following financial results:

| <i>(in millions)</i> | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---------------------------------|-----------------------------|---------|-----------|---------------------------|---------|-----------|
| | 2018 | 2017 | \$ Change | 2018 | 2017 | \$ Change |
| GAAP net revenues | \$ 41.0 | \$ 40.4 | \$ 0.6 | \$ 77.6 | \$ 76.3 | \$ 1.3 |
| GAAP net income | 4.4 | 5.8 | (1.4) | 7.0 | 8.3 | (1.3) |
| <i>Net income margin %</i> | 11% | 14 % | | 9 % | 11 % | |
| EBITDA | 11.1 | 12.5 | (1.3) | 19.7 | 21.1 | (1.5) |
| Adjusted EBITDA | 12.7 | 12.9 | (0.2) | 21.5 | 21.9 | (0.4) |
| <i>Adjusted EBITDA margin %</i> | 31% | 32 % | | 28 % | 29 % | |
| Bookings | \$ 33.1 | \$ 29.7 | \$ 3.4 | \$ 53.0 | \$ 48.9 | \$ 4.1 |
| Cash income | 1.9 | (0.8) | 2.7 | (8.7) | (11.6) | 2.9 |
| <i>Cash income margin %</i> | 6% | (3)% | | (16)% | (24)% | |

First Half 2018 Financial Highlights

- Generally Accepted Accounting Principles (GAAP) net revenues for the first half of 2018 increased by \$1.3 million, or 2%, to \$77.6 million compared with \$76.3 million in 2017. GAAP net revenues by segment for the six months ended June 30, 2018, and the change from the same period of 2017, were as follows:
 - Learning A-Z® - \$39.6 million, increased \$2.7 million or 7%
 - ExploreLearning® - \$15.2 million, increased \$1.7 million or 13%

- Voyager Sopris Learning® - \$22.8 million, decreased \$(3.2) million or (12)%
- Bookings for the first half of 2018 increased by 8% to \$53.0 million, compared with \$48.9 million in the first half of 2017, with growth in all three segments.
- The Company reported GAAP net income of \$7.0 million during the first half of 2018, decreasing \$1.3 million compared to net income of \$8.3 million during the first half of 2017. Net income includes expenses of \$1.1 million related to the Company's definitive agreement to acquire VKIDZ Holdings Inc. ("VKidz") and its review of strategic alternatives in addition to higher tax expense. The Company's effective tax rate for the first half of 2018 is higher than the effective tax rate for the first half of 2017 as a result of reducing most of the valuation allowance against most of the Company's deferred tax assets in the fourth quarter of 2017.
- Adjusted EBITDA was \$21.5 million, decreasing \$0.4 million from \$21.9 million in 2017, with the growth in GAAP net revenues in the first half more than offset by planned strategic investments made to development, marketing and sales initiatives to support full-year and long-term growth of the Company's digital solutions.
- Net interest expense was \$1.8 million for the first half of 2018, down \$0.8 million from the first half of 2017 as a result of the scheduled debt amortization payments and voluntary prepayments made during 2017.
- Cash Income was \$(8.7) million for the first half of 2018 compared to Cash Income of \$(11.6) million for the first half of 2017. Cash Income is a highly seasonal metric and is historically in a loss position for the first half of the year. Capital expenditures totaled \$8.0 million in the first half of 2018 versus \$8.8 million in the first half of 2017.
- The Company had cash and cash equivalents of \$4.7 million at June 30, 2018. For the six months ended June 30, 2018, cash used in operations was \$3.9 million, cash used in investing activities was \$8.0 million, and cash provided by financing activities was \$8.1 million. At June 30, 2018, the principal amount of term loans outstanding was \$45.6 million, the revolving credit facility outstanding was \$10.0 million and there was \$19.8 million available under the revolving credit facility.
- The Company's technology-enabled products continue to receive industry recognition. Learning A-Z was recently awarded two Software and Information Industry Association (SIIA) CODiE Awards: *Raz-Plus*™, for Best Solution for Special Needs Students, and *Science A-Z*®, for Best Science Instruction Solution.

Second Quarter 2018 Financial Highlights

- GAAP net revenues for the second quarter of 2018 increased by \$0.6 million, or 2%, to \$41.0 million compared with \$40.4 million in 2017. GAAP net revenues by segment for the three months ended June 30, 2018, and the change from the same period of 2017, were as follows:
 - Learning A-Z - \$20.4 million, increased \$1.8 million or 10%
 - ExploreLearning - \$7.7 million, increased \$1.0 million or 15%
 - Voyager Sopris Learning - \$12.8 million, decreased \$(2.1) million or (14)%
- Bookings for the second quarter of 2018 were \$33.1 million, an increase of 11% compared with \$29.7 million in the second quarter of 2017.
- The Company reported net income of \$4.4 million during the second quarter of 2018, decreasing \$1.4 million compared to net income of \$5.8 million during the second quarter of 2017. Net income includes expenses of \$1.1 million related to the Company's definitive agreement to acquire VKIDZ Holdings Inc. and its review of strategic alternatives in addition to higher tax expense.
- Adjusted EBITDA was \$12.7 million, decreasing \$0.2 million from \$12.9 million in 2017, with the growth in GAAP net revenues in the second quarter more than offset by planned strategic investments made to development, marketing and sales initiatives to support full-year and long-term growth of the Company's digital solutions.
- Cash Income was \$1.9 million for the second quarter of 2018 compared to Cash Income of \$(0.8) million for the second quarter of 2017. Capital expenditures totaled \$4.0 million in the second quarter of 2018 versus \$4.3 million in the second quarter of 2017.

Second Quarter 2018 Segment Results

Net Revenues, Bookings, Net Income, and Cash Income changes by segment for the three and six months ended June 30, 2018, compared to the same period of 2017 were as follows:

| | Q2 - 2018 % Change | | | | YTD - 2018 % Change | | | |
|-------------------------------------|-----------------------|-------------|--------------|--------------|------------------------|-----------|--------------|-------------|
| | Net Revenues | Bookings | Net Income | Cash Income | Net Revenues | Bookings | Net Income | Cash Income |
| Learning A-Z | 10 % | 26 % | 2 % | 105 % | 7 % | 13% | 1 % | 30 % |
| ExploreLearning | 15 % | 15 % | (1)% | (19)% | 13 % | 14% | (3)% | (208)% |
| Voyager Sopris Learning | (14)% | (5)% | (14)% | 2,174 % | (12)% | 1% | (6)% | 81 % |
| Shared Services | | | (10)% | 3 % | | | (6)% | (3)% |
| Cambium Learning Group, Inc. | 2 % | 11 % | (23)% | 342 % | 2 % | 8% | (15)% | 25 % |

2018 Outlook

Mr. Campbell stated, "We are on track as we enter the back-to-school selling season and are reiterating our full-year outlook. We target higher Bookings growth than last year's, driven by our SaaS businesses, and expansions in Adjusted EBITDA and Cash Income as we make selected investments in development, marketing and sales. Cambium Learning Group's solutions leverage technology to offer unique, personalized, adaptive, scalable and effective answers to the challenges students face, and we are focused on increasing our share of market to drive returns for all stakeholders."

Management's outlook for company-wide full-year 2018 Bookings growth at a higher percentage than 2017 is unchanged, with most of the growth expected in the second half of the year during the Company's seasonally strong periods. Cambium Learning Group's business is highly seasonal, with Bookings historically peaking during the third quarter, which represents by far the preponderance of Bookings, revenue and income each year.

The Company continues to expect its full-year 2018 Bookings growth to be driven by its two 100% digital subscription businesses, Learning A-Z and ExploreLearning. Voyager Sopris Learning is expected to build on the momentum of the LANGUAGE! Live solution and continue to make progress on repositioning the segment's role in the intervention marketplace.

Capital expenditures in 2018 are expected to be roughly consistent with 2017, and the Company expects growth in its Cash Income margin from 2017, with the impact of spending on strategic investments in its technology subscription products offset by the ongoing benefit of the transition in mix to these higher margin product lines. The Company continues to expect cash generation during the year from normal operations to be in line with previous guidance. The Company will assess the impact of cash expenditures related to the strategic alternatives process and the VKidz acquisition as the year progresses.

REVIEW OF STRATEGIC ALTERNATIVES and VKIDZ TRANSACTION

As previously announced in May 2018, the Company has an ongoing review of strategic alternatives to maximize shareholder value. Such strategic alternatives could include a sale of the Company or a sale of a division or divisions thereof, a strategic merger, a business combination or continuing as a standalone entity executing on its business plan. The Company has not set a definitive timetable for completion of its review of strategic alternatives, nor has it made any decisions related to any such strategic alternative at this time, and there can be no assurances that the process will result in any transaction being announced or completed in the future. The Company does not intend to make any further announcements related to its review unless and until its Board of Directors has approved a specific transaction or otherwise determined that further disclosure is appropriate.

Also as previously announced, on May 13, 2018, the Company entered into a definitive agreement to acquire VKIDZ Holdings Inc. ("VKidz"), an award winning Florida-based edtech company dedicated to helping deliver the best education to students using digital solutions. Organized in two business units, VKidz serves both school systems and homeschooling families with 100% digital, 100% subscription, innovative, research-based educational products. For the first half of 2018, VKidz reported a Bookings increase of 12% over prior year first half. The acquisition is expected to be consummated, subject to all applicable approvals, after completion of the Company's review of strategic alternatives. The terms of the agreement provide the Company the right to terminate the agreement prior to consummation.

Conference Call

Cambium Learning Group's management team will conduct a conference call at 5 p.m. EDT today (August 13, 2018) to discuss its financial results. In consideration of its review of strategic alternatives, management does not plan to conduct a question and answer session during the call. Participants are encouraged to listen to the presentation via a live web broadcast at www.cambiumlearning.com in the Investor Relations section. In addition, a live dial-in is available at 844.707.0670 or 703.639.1224, passcode #6575109.

A replay will be available by dialing 855.859.2056 or 404.537.3406, passcode #6575109, until August 14, 2018. The webcast will also be archived on the Company's Investor Relations page.

Cambium Learning Group also announces investor information, including news about its business and financial performance, SEC filings, notices of investor events, investor presentations, and press and earnings releases, on its website in the Investor Relations section.

Non-GAAP Financial Measures

EBITDA, Adjusted EBITDA, and Cash Income are not prepared in accordance with GAAP and may be different from similarly named, non-GAAP financial measures used by other companies. Non-GAAP financial measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. The Company believes these non-GAAP measures provide useful information to investors because they reflect the underlying performance of the ongoing operations of the Company and provide investors with a view of the Company's operations from management's perspective. Adjusted EBITDA and Cash Income remove significant restructuring, non-operational, or certain non-cash items from earnings. The Company uses Adjusted EBITDA and Cash Income to monitor and evaluate the operating performance of the Company and as the basis to set and measure progress toward performance targets. Further, the Cash Income measure directly affects compensation for employees and executives. The Company generally uses these non-GAAP measures as measures of operating performance and not as measures of the Company's liquidity. The Company's presentation of EBITDA, Adjusted EBITDA, and Cash Income should not be construed as an indication that our future results will be unaffected by unusual, non-operational, or non-cash items.

About Cambium Learning Group, Inc.

Cambium Learning® Group (Nasdaq: ABCD) is an award-winning educational technology solutions leader dedicated to helping all students reach their potential through individualized and differentiated instruction. Using a research-based, personalized approach, Cambium Learning Group delivers SaaS resources and instructional products that engage students and support teachers in fun, positive, safe and scalable environments. These solutions are provided through Learning A-Z® (online differentiated instruction for elementary school reading, writing and science), ExploreLearning® (online interactive math and science simulations and a math fact fluency solution) and Voyager Sopris Learning® (blended solutions that accelerate struggling learners to achieve in literacy and math and professional development for teachers). We believe that every student has unlimited potential, that teachers matter, and that data, instruction, and practice are the keys to success in the classroom and beyond.

Come learn with us at www.cambiumlearning.com.

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Forward-Looking Statements

Some of the statements contained herein constitute forward-looking statements. These statements relate to future events, including the future financial performance of Cambium Learning Group, Inc., and involve known and unknown risks, uncertainties, and other factors that may cause the markets, actual results, levels of activity, performance, or achievements of Cambium Learning Group, Inc., to be materially different from any actual future results, levels of activity, performance, or achievements. These risks and other factors you should consider include, but are not limited to, the ability to successfully attract and retain a broad customer base for current and future products, changes in customer demands or industry standards, success of ongoing product development, maintaining acceptable margins, the ability to control costs, K-12 enrollment and demographic trends, the level of educational funding, the impact of federal, state, and local regulatory requirements on the business of the company, the loss of key personnel, the impact of competition, the uncertainty of general economic conditions and financial market performance, explorations of possible transactions and other strategic alternatives, and those other risks and uncertainties listed under the heading "RISK FACTORS" in Cambium Learning Group, Inc.'s Form 10-K and other reports filed with the Securities and Exchange Commission. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," "projects," "intends," "prospects," or "priorities," or the negative of such terms, or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. Cambium Learning Group, Inc., does not assume or undertake any obligation to update the information contained in this press release, and expressly disclaims any obligation to do so, whether as a result of new information, future events, or otherwise.

Cambium Learning Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-----------------|---------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net revenues | \$ 40,996 | \$ 40,362 | \$ 77,603 | \$ 76,332 |
| Cost of revenues: | | | | |
| Cost of revenues | 7,038 | 7,215 | 13,101 | 13,400 |
| Amortization expense | 4,043 | 4,328 | 7,947 | 8,418 |
| Total cost of revenues | 11,081 | 11,543 | 21,048 | 21,818 |
| Research and development expense | 3,893 | 3,294 | 7,619 | 6,392 |
| Sales and marketing expense | 12,717 | 12,190 | 25,520 | 25,100 |
| General and administrative expense | 6,135 | 4,900 | 11,416 | 9,783 |
| Shipping and handling costs | 186 | 195 | 307 | 313 |
| Depreciation and amortization expense | 718 | 669 | 1,435 | 1,350 |
| Total costs and expenses | 34,730 | 32,791 | 67,345 | 64,756 |
| Income before interest and income taxes | 6,266 | 7,571 | 10,258 | 11,576 |
| Net interest expense | (927) | (1,336) | (1,757) | (2,563) |
| Other income (expense), net | 118 | (109) | 15 | (217) |
| Income before income taxes | 5,457 | 6,126 | 8,516 | 8,796 |
| Income tax expense | (1,022) | (334) | (1,474) | (474) |
| Net income | <u>\$ 4,435</u> | <u>\$ 5,792</u> | <u>\$ 7,042</u> | <u>\$ 8,322</u> |
| Net income per common share: | | | | |
| Basic | \$ 0.09 | \$ 0.13 | \$ 0.15 | \$ 0.18 |
| Diluted | \$ 0.09 | \$ 0.12 | \$ 0.15 | \$ 0.18 |
| Average number of common shares and equivalents outstanding: | | | | |
| Basic | 47,172 | 46,283 | 47,036 | 46,243 |
| Diluted | 48,385 | 47,476 | 48,250 | 47,460 |

Cambium Learning Group, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except per share data)

| | <u>June 30, 2018</u> | <u>December 31, 2017</u> |
|--|----------------------|--------------------------|
| | <u>(Unaudited)</u> | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,680 | \$ 8,493 |
| Accounts receivable, net | 13,277 | 12,937 |
| Inventory | 1,813 | 2,382 |
| Restricted assets, current | 961 | 961 |
| Other current assets | 9,731 | 11,193 |
| Total current assets | 30,462 | 35,966 |
| Property, equipment and software at cost | 62,966 | 65,250 |
| Accumulated depreciation and amortization | (42,006) | (43,164) |
| Property, equipment and software, net | 20,960 | 22,086 |
| Goodwill | 43,518 | 43,518 |
| Other intangible assets, net | 3,108 | 3,607 |
| Pre-publication costs, net | 17,986 | 17,758 |
| Restricted assets, less current portion | 839 | 1,293 |
| Deferred tax assets | 30,020 | 30,614 |
| Other assets | 3,372 | 3,712 |
| Total assets | \$ 150,265 | \$ 158,554 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,075 | \$ 2,388 |
| Accrued expenses | 13,770 | 12,121 |
| Revolving credit facility | 10,000 | — |
| Current portion of long-term debt | 6,651 | 5,958 |
| Deferred revenue, current | 61,286 | 86,913 |
| Total current liabilities | 93,782 | 107,380 |
| Long-term liabilities: | | |
| Long-term debt | 38,477 | 41,841 |
| Deferred revenue, less current portion | 15,232 | 13,995 |
| Other liabilities | 9,257 | 9,630 |
| Total long-term liabilities | 62,966 | 65,466 |
| Stockholders' equity (deficit): | | |
| Preferred stock (\$.001 par value, 15,000 shares authorized, zero shares issued and outstanding at June 30, 2018 and December 31, 2017) | — | — |
| Common stock (\$.001 par value, 150,000 shares authorized, 53,789 and 53,333 shares issued, and 47,257 and 46,800 shares outstanding at June 30, 2018 and December 31, 2017, respectively) | 54 | 53 |
| Capital surplus | 290,468 | 289,022 |
| Accumulated deficit | (282,199) | (288,490) |
| Treasury stock at cost (6,532 shares at June 30, 2018 and December 31, 2017) | (12,784) | (12,784) |
| Accumulated other comprehensive loss: | | |
| Pension and postretirement plans | (2,022) | (2,093) |
| Accumulated other comprehensive loss | (2,022) | (2,093) |
| Total stockholders' equity (deficit) | (6,483) | (14,292) |
| Total liabilities and stockholders' equity (deficit) | \$ 150,265 | \$ 158,554 |

Cambium Learning Group, Inc. and Subsidiaries
Reconciliation of Net Income to EBITDA, Adjusted EBITDA and Cash Income
(unaudited)

| <i>(in thousands)</i> | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|----------|---------------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ 4,435 | \$ 5,792 | \$ 7,042 | \$ 8,322 |
| Reconciling items between net income and EBITDA: | | | | |
| Depreciation and amortization expense | 4,761 | 4,997 | 9,382 | 9,768 |
| Net interest expense | 927 | 1,336 | 1,757 | 2,563 |
| Income tax expense | 1,022 | 334 | 1,474 | 474 |
| Income from operations before interest, income taxes, and depreciation and amortization (EBITDA) | 11,145 | 12,459 | 19,655 | 21,127 |
| Non-operational or non-cash costs included in EBITDA but excluded from Adjusted EBITDA: | | | | |
| Income from sale of excess state tax credits | (222) | — | (222) | — |
| Merger, acquisition and disposition activities | 1,499 | 212 | 1,621 | 339 |
| Stock-based compensation and expense | 252 | 224 | 479 | 424 |
| Adjusted EBITDA | 12,674 | 12,895 | 21,533 | 21,890 |
| Change in deferred revenues | (7,900) | (10,576) | (24,814) | (27,419) |
| Change in deferred costs | 1,132 | 1,168 | 2,589 | 2,731 |
| Capital expenditures | (3,980) | (4,284) | (7,988) | (8,816) |
| Cash income | \$ 1,926 | \$ (797) | \$ (8,680) | \$ (11,614) |

Cambium Learning Group, Inc. and Subsidiaries
Reconciliation of Bookings to Net Revenues by Segment – 2018
(unaudited)

| <i>(in thousands)</i> | Three Months Ended June 30, 2018 | | | |
|-----------------------------|----------------------------------|-----------------|-------------------------|--------------|
| | Learning A-Z | ExploreLearning | Voyager Sopris Learning | Consolidated |
| Bookings | \$ 14,683 | \$ 6,797 | \$ 11,636 | \$ 33,116 |
| Change in deferred revenues | 5,752 | 991 | 1,157 | 7,900 |
| Other | — | (56) | 36 | (20) |
| Net revenues | \$ 20,435 | \$ 7,732 | \$ 12,829 | \$ 40,996 |

| <i>(in thousands)</i> | Six Months Ended June 30, 2018 | | | |
|-----------------------------|--------------------------------|-----------------|-------------------------|--------------|
| | Learning A-Z | ExploreLearning | Voyager Sopris Learning | Consolidated |
| Bookings | \$ 24,282 | \$ 9,970 | \$ 18,717 | \$ 52,969 |
| Change in deferred revenues | 15,289 | 5,338 | 4,187 | 24,814 |
| Other | — | (72) | (108) | (180) |
| Net revenues | \$ 39,571 | \$ 15,236 | \$ 22,796 | \$ 77,603 |

Reconciliation of Net Income to EBITDA, Adjusted EBITDA and Cash Income by Segment – 2018
(unaudited)

Three Months Ended June 30, 2018

| <i>(in thousands)</i> | Learning A-Z | Explore Learning | Voyager Sopris Learning | Other | Consolidated |
|--|--------------|------------------|-------------------------|-------------|--------------|
| Net income | \$ 9,888 | \$ 2,776 | \$ 2,937 | \$ (11,166) | \$ 4,435 |
| Reconciling items between net income and EBITDA: | | | | | |
| Depreciation and amortization expense | — | — | — | 4,761 | 4,761 |
| Net interest expense | — | — | — | 927 | 927 |
| Income tax expense | — | — | — | 1,022 | 1,022 |
| Income from operations before interest, income taxes, and depreciation and amortization (EBITDA) | 9,888 | 2,776 | 2,937 | (4,456) | 11,145 |
| Non-operational or non-cash costs included in EBITDA but excluded from Adjusted EBITDA: | | | | | |
| Income from sale of excess state tax credits | — | — | — | (222) | (222) |
| Merger, acquisition and disposition activities | — | — | — | 1,499 | 1,499 |
| Stock-based compensation and expense | 70 | 55 | 59 | 68 | 252 |
| Adjusted EBITDA | 9,958 | 2,831 | 2,996 | (3,111) | 12,674 |
| Change in deferred revenues | (5,752) | (991) | (1,157) | — | (7,900) |
| Change in deferred costs | 597 | 282 | 253 | — | 1,132 |
| Capital expenditures - product development | (2,006) | (1,017) | (548) | — | (3,571) |
| Capital expenditures - general expenditures | (318) | (65) | (9) | (17) | (409) |
| Cash income | \$ 2,479 | \$ 1,040 | \$ 1,535 | \$ (3,128) | \$ 1,926 |

Six Months Ended June 30, 2018

| <i>(in thousands)</i> | Learning A-Z | Explore Learning | Voyager Sopris Learning | Other | Consolidated |
|--|---------------------|-------------------------|--------------------------------|--------------|---------------------|
| Net income | \$ 18,777 | \$ 5,347 | \$ 3,790 | \$ (20,872) | \$ 7,042 |
| Reconciling items between net income and EBITDA: | | | | | |
| Depreciation and amortization expense | — | — | — | 9,382 | 9,382 |
| Net interest expense | — | — | — | 1,757 | 1,757 |
| Income tax expense | — | — | — | 1,474 | 1,474 |
| Income from operations before interest, income taxes, and depreciation and amortization (EBITDA) | 18,777 | 5,347 | 3,790 | (8,259) | 19,655 |
| Non-operational or non-cash costs included in EBITDA but excluded from Adjusted EBITDA: | | | | | |
| Income from sale of excess state tax credits | — | — | — | (222) | (222) |
| Merger, acquisition and disposition activities | — | — | — | 1,621 | 1,621 |
| Stock-based compensation and expense | 127 | 100 | 118 | 134 | 479 |
| Adjusted EBITDA | 18,904 | 5,447 | 3,908 | (6,726) | 21,533 |
| Change in deferred revenues | (15,289) | (5,338) | (4,187) | — | (24,814) |
| Change in deferred costs | 1,292 | 657 | 640 | — | 2,589 |
| Capital expenditures - product development | (3,874) | (2,036) | (1,195) | — | (7,105) |
| Capital expenditures - general expenditures | (576) | (161) | (115) | (31) | (883) |
| Cash income | \$ 457 | \$ (1,431) | \$ (949) | \$ (6,757) | \$ (8,680) |

**Deferred Revenue by Segment – 2018
(unaudited)**

| | June 30, 2018 | | | | |
|--|----------------------|-------------------------|--------------------------------|---------------------|--|
| <i>(in thousands)</i> | Learning A-Z | Explore Learning | Voyager Sopris Learning | Consolidated | |
| Deferred revenue, current | \$ 36,251 | \$ 13,432 | \$ 11,603 | \$ 61,286 | |
| Deferred revenue, less current portion | 7,533 | 3,802 | 3,897 | 15,232 | |
| Deferred revenue | \$ 43,784 | \$ 17,234 | \$ 15,500 | \$ 76,518 | |

**Deferred Costs by Segment – 2018
(unaudited)**

| | June 30, 2018 | | | | |
|--------------------------------------|----------------------|-------------------------|--------------------------------|---------------------|--|
| <i>(in thousands)</i> | Learning A-Z | Explore Learning | Voyager Sopris Learning | Consolidated | |
| Deferred costs, current | \$ 3,499 | \$ 1,222 | \$ 1,705 | \$ 6,426 | |
| Deferred costs, less current portion | 492 | 177 | 753 | 1,422 | |
| Deferred costs | \$ 3,991 | \$ 1,399 | \$ 2,458 | \$ 7,848 | |

Cambium Learning Group, Inc. and Subsidiaries
Reconciliation of Bookings to Net Revenues by Segment – 2017
(unaudited)

Three Months Ended June 30, 2017

| <i>(in thousands)</i> | Learning A-Z | ExploreLearning | Voyager Sopris Learning | Consolidated |
|-----------------------------|------------------|-----------------|-------------------------|------------------|
| Bookings | \$ 11,661 | \$ 5,888 | \$ 12,192 | \$ 29,741 |
| Change in deferred revenues | 6,990 | 873 | 2,713 | 10,576 |
| Other | (1) | (26) | 72 | 45 |
| Net revenues | <u>\$ 18,650</u> | <u>\$ 6,735</u> | <u>\$ 14,977</u> | <u>\$ 40,362</u> |

Six Months Ended June 30, 2017

| <i>(in thousands)</i> | Learning A-Z | ExploreLearning | Voyager Sopris Learning | Consolidated |
|-----------------------------|------------------|------------------|-------------------------|------------------|
| Bookings | \$ 21,560 | \$ 8,764 | \$ 18,529 | \$ 48,853 |
| Change in deferred revenues | 15,275 | 4,854 | 7,290 | 27,419 |
| Other | — | (105) | 165 | 60 |
| Net revenues | <u>\$ 36,835</u> | <u>\$ 13,513</u> | <u>\$ 25,984</u> | <u>\$ 76,332</u> |

Reconciliation of Net Income to EBITDA, Adjusted EBITDA and Cash Income by Segment – 2017
(unaudited)

Three Months Ended June 30, 2017

| <i>(in thousands)</i> | Learning A-Z | Explore Learning | Voyager Sopris Learning | Other | Consolidated |
|--|-----------------|------------------|-------------------------|-------------------|-----------------|
| Net income | \$ 9,688 | \$ 2,814 | \$ 3,408 | \$ (10,118) | \$ 5,792 |
| Reconciling items between net income and EBITDA: | | | | | |
| Depreciation and amortization expense | — | — | — | 4,997 | 4,997 |
| Net interest expense | — | — | — | 1,336 | 1,336 |
| Income tax expense | — | — | — | 334 | 334 |
| Income from operations before interest, income taxes, and depreciation and amortization (EBITDA) | 9,688 | 2,814 | 3,408 | (3,451) | 12,459 |
| Non-operational or non-cash costs included in EBITDA but excluded from Adjusted EBITDA: | | | | | |
| Merger, acquisition and disposition activities | — | — | — | 212 | 212 |
| Stock-based compensation and expense | 53 | 30 | 75 | 66 | 224 |
| Adjusted EBITDA | 9,741 | 2,844 | 3,483 | (3,173) | 12,895 |
| Change in deferred revenues | (6,990) | (873) | (2,713) | — | (10,576) |
| Change in deferred costs | 547 | 104 | 517 | — | 1,168 |
| Capital expenditures - product development | (1,869) | (721) | (1,316) | — | (3,906) |
| Capital expenditures - general expenditures | (220) | (77) | (45) | (36) | (378) |
| Cash income | <u>\$ 1,209</u> | <u>\$ 1,277</u> | <u>\$ (74)</u> | <u>\$ (3,209)</u> | <u>\$ (797)</u> |

Six Months Ended June 30, 2017

| <i>(in thousands)</i> | Learning A-Z | Explore Learning | Voyager Sopris Learning | Other | Consolidated |
|--|--------------|------------------|-------------------------|-------------|--------------|
| Net income | \$ 18,556 | \$ 5,490 | \$ 4,043 | \$ (19,767) | \$ 8,322 |
| Reconciling items between net income and EBITDA: | | | | | |
| Depreciation and amortization expense | — | — | — | 9,768 | 9,768 |
| Net interest expense | — | — | — | 2,563 | 2,563 |
| Income tax expense | — | — | — | 474 | 474 |
| Income from operations before interest, income taxes, and depreciation and amortization (EBITDA) | 18,556 | 5,490 | 4,043 | (6,962) | 21,127 |
| Non-operational or non-cash costs included in EBITDA but excluded from Adjusted EBITDA: | | | | | |
| Merger, acquisition and disposition activities | — | — | — | 339 | 339 |
| Stock-based compensation and expense | 100 | 54 | 145 | 125 | 424 |
| Adjusted EBITDA | 18,656 | 5,544 | 4,188 | (6,498) | 21,890 |
| Change in deferred revenues | (15,275) | (4,854) | (7,290) | — | (27,419) |
| Change in deferred costs | 1,162 | 493 | 1,076 | — | 2,731 |
| Capital expenditures - product development | (3,798) | (1,481) | (2,809) | — | (8,088) |
| Capital expenditures - general expenditures | (393) | (167) | (115) | (53) | (728) |
| Cash income | \$ 352 | \$ (465) | \$ (4,950) | \$ (6,551) | \$ (11,614) |



Cambium Learning Group, Inc.

Second Quarter 2018 Earnings Conference Call

August 13, 2018

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CORPORATE PARTICIPANTS

Scott McWhorter, *General Counsel and Corporate Secretary*

John Campbell, *Chief Executive Officer*

Barbara Benson, *Chief Financial Officer*

PRESENTATION

Operator:

Good day, ladies and gentlemen, and welcome to the Cambium Learning Group, Inc. Second Quarter 2018 Earnings Conference Call. At this time, all participants are in a listen-only mode. If anyone should require Operator assistance during the conference, please press star, and then zero on your touchtone telephone. As a reminder, this conference call may be recorded.

I would now like to introduce your host for today's conference, Scott McWhorter, General Counsel and Corporate Secretary. Mr. McWhorter, you may begin.

Scott McWhorter:

Thank you, and welcome, everyone to Cambium Learning Group's Second Quarter 2018 earnings conference call. I am Scott McWhorter, Cambium's General Counsel. With me today are John Campbell, Cambium Learning's Chief Executive Officer; and Barbara Benson, Chief Financial Officer.

Statements made on this call may contain forward-looking statements that are subject to risks and uncertainties. Please refer to the Safe Harbor statement included in today's press release as well as Cambium Learning Group's periodic filings with the SEC for a complete discussion of the risks and uncertainties that could cause actual results to differ materially from those expressed today.

We will be discussing certain non-GAAP financial results including Adjusted EBITDA and Cash Income. The press release and Form 10-Q issued earlier today contain a reconciliation of these non-GAAP financial measures to the most comparable GAAP measures. Because of the high percentage of amortization expense, deferred revenue, and other non-cash, non-operational items in our reported GAAP income, we report these non-GAAP measures as key performance metrics. Management believes these metrics help portray the underlying trajectory of the business and give you a view of operations from management's perspective, since these are the metrics used internally to assess performance.

Lastly, in consideration of Cambium Learning Group's ongoing review of strategic alternatives to maximize shareholder value, management will not comment on this process in today's prepared remarks and will not conduct a question-and-answer session today.

As previously stated, the Company has not set a definitive timetable for completion of its review of strategic alternatives and there could be no assurances that the process will result in any transaction being announced or completed in the future. The Company does not intend to make any further announcements related to its review unless and until its Board of Directors has approved a specific transaction or otherwise determined that further disclosure is appropriate.

Now, it is my pleasure to turn the call over to John Campbell.

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John Campbell:

Thanks Scott. Good afternoon, everyone, and thank you for joining us today.

I will begin by discussing our second quarter performance by segment, update you on our 2018 strategy, and then turn it over to Barbara, who will walk you through the financials.

Cambium Learning Group's first half results were strong. While our highest volume days of the year are still ahead of us, we are executing well on our strategic plan's three components of development, marketing, and sales.

Bookings grew 11% in the second quarter and 8% in the first half, driven by acceleration in our SaaS businesses, and earnings are on track to date in the year. With our pipeline of orders building momentum into the important second half selling season, we are positioned well for the year and are reiterating our full-year outlook.

Let's look at our segment's performance. Second quarter Bookings for Learning A-Z, the standard bearer of our digital solutions strategy, increased 26% bringing first half growth to 13%. One of our best growth opportunities is expanding the reach of Learning A-Z's smaller product lines.

I am pleased to share that Science A-Z, our blended science/literacy solution for K-6 students, recently won an adoption in Broward County, Florida, which resulted in a five year deal and Bookings in the second quarter of \$1.8 million. Science A-Z provides thousands of resources to teach core science ideas and practices, multilevel books to differentiate reading instruction, and hands-on projects to apply science concepts. Broward County chose Science A-Z in large part to have a strong literacy component in its K-5 science program. This was the largest single Booking in Learning A-Z's history, and we are excited to see the momentum Science A-Z is building.

The driving force of any digital solution is constant innovation, and our Learning A-Z development teams have added new instructional content and product features to our suite of literacy-focused solutions to support PreK-6 teachers for students at all learning levels.

The features launched this summer for the coming school year include a new motivational avatar builder, incentivising badges, and student interface in the Kids A-Z student portal, which is included with Raz-Plus, Raz-Kids, Headsprout, Science A-Z, Writing A-Z, and ReadyTest A-Z. As students complete activities and achieve specific milestones, they collect stars and badges as rewards to make their avatars unique, and teachers can further customize their students' experience. We also redesigned the Raz-Plus and Raz-Kids online Reading Room to be more intuitive and make it easier for students to find level-appropriate books and content based on their interests and activity.

Last, Raz-Plus and Reading A-Z will offer more close reading passages, teacher lesson plans, and question guides, as well as new Spanish resources, including leveled authentic Spanish books and Spanish close reading packs. These continuous content and functionality enhancements to our product suite empower teachers and make personalized learning easier for a broader group of learners.

Recently, two of our Learning A-Z solutions received the prestigious Software and Information Industry Association's CODiE Awards, making this the seventh consecutive year we have received a CODiE Award. Raz-Plus won Best Solution for Special Needs Students, and Science A-Z won Best Science Instruction Solution; this solution's first CODiE. We are honored by these awards, which demonstrate the continued effectiveness of our solutions.

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Our marketing and sales initiatives are working well in a demand environment that is responsive to our digital solutions that drive student success. Our pipeline is building toward another year of strong growth at Learning A-Z, with these higher-margin Bookings contributing meaningfully to our profitability and cash flow.

Our ExploreLearning segment, which focuses on math and science, grew second quarter Bookings 15%, bringing first half growth to 14% as our momentum in this segment continues. ExploreLearning's development is progressing well on three fronts. Our expansion of our Gizmos library remains on track. Secondly, our new fractions product is on schedule for a 2019 release. Thirdly, we continue to work towards integrating the IS3D immersive STEM cases into our Gizmos product, which are also expected to be available in 2019. ExploreLearning's 100% digital offerings continue to be enthusiastically received, and we expect another strong year of Bookings growth as we reach more students who aim for success in math and science.

At Voyager Sopris Learning, second quarter Bookings decreased 5%, bringing first half Bookings growth to 1%. The Bookings decline in the second quarter was not unexpected. As you may recall, in the first quarter, we had experienced some positive timing tailwinds for legacy print and transactional solutions. Our development focus for 2018 for Voyager Sopris Learning is to support LANGUAGE! Live's momentum and feed the segment's SaaS solutions with continuous enhancements and new capabilities every month, while maintaining capital expenditures below last year's levels in order to maximize profitability.

In sum, we are well positioned as we enter the second half of the year to deliver a strong 2018 performance by focusing on Cambium Learning Group's mission to create solutions that leverage technology to change the trajectory of students' lives. We expect our rate of Bookings growth to surpass last years', driven by our digital businesses and our careful calibration of our investments in development, marketing and sales to drive expansion in Adjusted EBITDA and Cash Income.

Our strategy is to leverage our position as an established leader in the K-12 digital solutions space by making investments today that will drive growth and increase profits and cash flow long-term. At Cambium Learning, we believe that every learner has untapped potential; teachers are the foundation of education; and that, data, instruction, and practice are the keys to success in the classroom and beyond.

Now, I will turn the call over to Barbara for a review of the financials and more detail on our outlook. Barbara?

Barbara Benson:

Thanks John, and good afternoon, everyone.

First, as we have frequently stated, our business is highly seasonal and the third quarter is our most important quarter with the back-to-school buying. In 2017, the first half was 30% of full-year Bookings and has been a similarly low percentage historically. Our Bookings will ramp up through the year to peak in the third quarter, the period in which we generate the vast majority of our Bookings and Cash Income for a given year. Because of this, first half and second quarter results should not be considered necessarily indicative of full-year results or trending.

Let's start by reviewing our second quarter Bookings results.

Company-wide Bookings for the second quarter of 2018 grew 11%, to \$33.1 million. Learning A-Z accelerated its momentum during the second quarter with Bookings of \$14.7 million, an increase of \$3.0 million or 26% compared to Q2 2017. This brings year-to-date Bookings growth at Learning A-Z to 13%. ExploreLearning continued to perform strongly with second quarter growth of 15% to \$6.8 million, extending the segment's strong momentum. Year-to-date Bookings growth for ExploreLearning is 14%. And, Voyager Sopris Learning declined 5% to \$11.6 million during Q2, driven by declines in the segment's legacy products, with year-to-date Bookings flattish to last year.

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GAAP net revenues for the first half of 2018 grew \$1.3 million or 2%, to \$77.6 million. A large portion of GAAP revenues for the first half of the year represents the revenue recognition tail of prior year Bookings.

Adjusted EBITDA for the first half of 2018 was \$21.5 million. Costs and expenses, excluding depreciation and amortization, were up around 5% year-over-year with planned investments in development, marketing and sales at Learning A-Z and ExploreLearning to support full-year 2018 growth, partially offset by the benefit of cost right-sizing activities as Voyager Sopris Learning late last year.

The higher pace of investments exceeded the GAAP revenue growth, and Adjusted EBITDA was down \$0.4 million or 2% for the first half compared to last year. Net income was \$7.0 million in the first half of 2018 compared to \$8.3 million in the first half of 2017, down \$1.3 million with the slight Adjusted EBITDA decline, increased G&A spend related to the strategic alternatives review and the VKidz agreement, and higher tax expense.

As we have previously disclosed, we released most of the valuation allowance that was recorded on our deferred tax assets, including our NOLs, at the end of 2017. Because of this, we expect to have a more normal tax expense effective rate in 2018. The 2018 tax expense effective rate has been impacted in both Q1 and Q2 by tax benefits related to stock option exercises by employees. Given this impact and the fact that our Q2 year-to-date tax expense effective rate was 17%, we now believe we'll have a full-year tax effective rate lower than our previously expected range. I'd estimate somewhere between 20% and 23%.

Interest expense was \$1.8 million in the first six months of 2018 compared to \$2.6 million in the same period of 2017, lower as a result of the ongoing reductions in debt from scheduled and voluntary principal payments made in 2017.

Capital expenditures were \$8.0 million in the first half 2018, lower than the same period of 2017 by approximately \$0.8 million, with the decline driven by planned savings at the Voyager Sopris Learning segment.

It is normal for us to operate with a negative Cash Income in the first half of the year due to seasonality. Cash Income was an \$8.7 million loss for the first six months of 2018, an improvement of \$2.9 million compared to the \$11.6 million Cash Income loss for the first half of 2017, primarily due to the strong year-over-year Bookings growth of 8%.

Moving to the balance sheet, cash and cash equivalents at June 30 were \$4.7 million. During the first half of 2018, we paid \$2.9 million of scheduled amortization payments and ended the quarter with \$45.6 million outstanding on our term loan. In line with our historical seasonal pattern, we used cash in the first half of the year and expect to generate cash in the third and fourth quarters, and our revolving credit facility helps us manage the seasonal cash pattern. We borrowed \$10.0 million on the revolver in the first half of 2018. We started to pay down the revolver borrowings in July and expect to reduce it to zero by the end of the third quarter.

Cash used in operations was \$3.9 million year-to-date Q2 2018 compared to \$4.3 million in the first half of 2017, with the year-over-year improvement primarily due to higher Bookings.

In summary, the results for the first half of 2018 provide a great foundation for us as we move into the important back to school selling season. We have not changed our full-year 2018 outlook, which includes company-wide Bookings growth at a higher percentage than we saw in 2017; capital expenditures that are roughly the same as 2017; expansion of our Cash Income margin, driven by continued strong growth in our higher-margin segments; and cash paid for interest in the neighborhood of \$3.0 million.

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We continue to expect cash generation from normal operations to be in line with our previous guidance and we will assess the impact of cash expenditures related to the strategic alternatives review and VKidz transaction as the year progresses.

A final note, as we announced last quarter, in May we signed a definitive agreement to acquire VKidz, a Florida-based edtech company that serves both school systems and homeschooling families with innovative, research-based educational products, all delivered digitally. VKidz has historically had strong double-digit top-line growth and saw a Bookings increase of 12% in the first half of the year compared to first half 2017. We continue to expect the transaction to be consummated after completion of our Board of Directors' review of strategic alternatives.

This concludes our remarks. Thanks again to everyone for listening in on our call today. We look forward to reporting our third quarter results on our next call. Have a great afternoon.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone have a great day.