

**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): March 7, 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 March 7, 2018, Cambium Learning Group, Inc. (the "Company") issued a press release announcing its financial results for the year ended December 31, 2017. A copy of the press release is attached hereto as Exhibit 99.1.

Item 7.01 Regulation FD Disclosure.

On March 7, 2018, the Company hosted a conference call to discuss its financial results for the year ended December 31, 2017. 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 March 7, 2018
99.2	Transcript of Cambium Learning Group, Inc.'s earnings conference call held on March 7, 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.

March 9, 2018

/s/ Barbara Benson

Name: Barbara Benson

Title: Chief Financial Officer



Cambium Learning Group Reports Fourth Quarter 2017 Financial Results

Digital Segments Learning A-Z and ExploreLearning Record Double-Digit Q4 and Full Year Top-Line Growth

Full Year Pre-Tax Net Income Grows 47%

Full Year Adjusted EBITDA and Cash Income Grow 14% and 13%, Respectively

Company Makes Q4 Debt Prepayments of \$20.6 Million

DALLAS—March 7, 2018—Cambium Learning® Group, Inc. (Nasdaq: ABCD, the “Company”), an award-winning educational technology solutions leader dedicated to helping all students reach their potential through individualized and differentiated instruction, announced today financial results for the year ended December 31, 2017.

“Cambium Learning Group delivered solid fourth quarter and 2017 growth, in line with our most recent expectations,” said John Campbell, Chief Executive Officer of Cambium Learning Group. “Our digital solutions at Learning A-Z and ExploreLearning, as well as LANGUAGE! Live at Voyager Sopris Learning, grew at double-digit rates and together drove our technology-enabled solutions to 79% of total Bookings mix in 2017. This growth enabled us to deliver on the promise of our increasingly technology-enabled, software as a service (SaaS) business model, driving margin expansion and higher Adjusted EBITDA and Cash Income. This in turn increased cash generated from our operations by 11%, self-funding our investments in future growth and enabling us to prepay a portion of our debt. We begin 2018 having made necessary adjustments to our sales and marketing tactics, which prepare us to capture additional top-line growth this year.”

Financial Snapshot

For the year ended December 31, 2017, the Company reported the following financial results:

<i>(in millions)</i>	Three Months Ended December 31,			Year Ended December 31,		
	2017	2016	\$ Change	2017	2016	\$ Change
GAAP net revenues	\$ 38.3	\$ 37.5	\$ 0.8	\$ 158.2	\$ 152.4	\$ 5.8
GAAP net income*	30.3	2.9	27.3	45.1	10.4	34.6
<i>Net income margin %*</i>	79%	8%		28%	7%	
EBITDA	6.7	10.7	(3.9)	41.4	39.5	1.9
Adjusted EBITDA	12.9	11.9	1.0	49.0	42.8	6.2
<i>Adjusted EBITDA margin %</i>	34%	32%		31%	28%	
Bookings	\$ 37.0	\$ 34.6	\$ 2.3	\$ 164.4	\$ 161.8	\$ 2.6
Cash income	7.5	6.3	1.2	36.1	31.8	4.3
<i>Cash income margin %</i>	20%	18%		22%	20%	

* 2017 fourth quarter and full-year periods include a tax benefit of \$30.2 million and \$29.3 million, respectively.

Year Ended December 31, 2017 Financial Highlights

- Generally Accepted Accounting Principles (GAAP) net revenues for the year ended December 31, 2017 increased by 4% to \$158.2 million compared with \$152.4 million in 2016. GAAP net revenues by segment for the year ended December 31, 2017 compared to prior year were as follows:
 - Learning A-Z® – \$75.1 million, increased \$9.1 million or 14%
 - ExploreLearning® – \$27.9 million, increased \$4.1 million or 17%
 - Voyager Sopris Learning® – \$55.2 million, decreased \$(7.4) million or (12)%.

- Bookings for the year ended December 31, 2017 increased by 2% to \$164.4 million compared with \$161.8 million in 2016, with growth of \$7.5 million at Learning A-Z and \$4.9 million at ExploreLearning, partially offset by a Voyager Sopris Learning Bookings decline of \$9.8 million.
- Technology-enabled Bookings represented 79% of total 2017 Bookings compared with 73% of 2016 Bookings, and grew 10% compared to 2016.
- Net interest expense was \$4.8 million for the year ended December 31, 2017, down \$2.3 million from 2016 as a result of the scheduled debt amortization payments and voluntary prepayments.
- The Company recorded a non-cash goodwill impairment charge of \$4.3 million related to the Kurzweil Education brand solutions, which experienced a Bookings decline of 9% in 2017 and is now fully integrated within the Voyager Sopris Learning segment structure.
- The Company recorded an income tax benefit of \$30.2 million and \$29.3 million for the quarter and year ended December 31, 2017, respectively, predominantly the result of a reduction of the valuation allowance against most of the Company's deferred tax assets offset by a remeasurement of deferred tax assets at the newly-enacted corporate tax rate.
- Net income was \$45.1 million during the year ended December 31, 2017, up \$34.6 million when compared to a net income of \$10.4 million during the year ended December 31, 2016. Adjusted EBITDA was \$49.0 million, up \$6.2 million from 2016. Excluding the effect of the tax benefit on net income, the increase in GAAP net revenues, along with a greater portion of the top-line mix coming from the higher margin Learning A-Z and ExploreLearning segments, drove improvement in both net income and Adjusted EBITDA.
- In response to lower-than-expected performance at the Voyager Sopris Learning segment in 2017, management completed restructuring activities to reduce its cost structure, and incurred \$1.1 million of severance costs in the fourth quarter, in addition to the \$0.3 million of severance costs incurred in the third quarter. These restructuring costs are excluded from the Adjusted EBITDA and Cash Income non-GAAP measures.
- Cash Income was \$36.1 million, an increase of \$4.3 million compared to \$31.8 million reported in the year ended December 31, 2016. Capital expenditures reflect planned investments in product development and totaled \$18.2 million in the year ended December 31, 2017 versus \$20.1 million in the year ended December 31, 2016.
- In October 2017, the Company voluntarily prepaid the remaining \$9.6 million principal amount outstanding on the Term Loan B of the Senior Secured Credit Facility. In December 2017, the Company voluntarily prepaid \$11.0 million of principal on the Term Loan A of the Senior Secured Credit Facility.
- The Company had cash and cash equivalents of \$8.5 million at December 31, 2017. For the year ended December 31, 2017, cash provided by operations was \$49.2 million, cash used in investing activities was \$19.2 million, and cash used in financing activities was \$26.4 million. At December 31, 2017, the principal amount of the term loan outstanding was \$48.5 million, and there were no borrowings outstanding under the Company's revolving credit facility.

Fourth Quarter 2017 Financial Highlights

- GAAP net revenues for the fourth quarter of 2017 increased by 2% to \$38.3 million compared with \$37.5 million in the fourth quarter of 2016. GAAP net revenues by segment for the three months ended December 31, 2017, and the change from the same period of 2016, were as follows:
 - Learning A-Z – \$19.8 million, increased \$1.9 million or 10%
 - ExploreLearning – \$7.2 million, increased \$1.0 million or 15%
 - Voyager Sopris Learning – \$11.3 million, decreased \$(2.0) million or (15)%
- Bookings for the fourth quarter of 2017 increased by 7% to \$37.0 million compared with \$34.6 million in the fourth quarter of 2016.
- The Company reported net income of \$30.3 million during the fourth quarter of 2017 compared to a net income of \$2.9 million during the fourth quarter of 2016, an increase of \$27.3 million. GAAP net income includes an income tax benefit of \$30.2 million and a goodwill impairment charge of \$4.3 million. Adjusted EBITDA was \$12.9 million, increasing \$1.0 million from \$11.9 million in 2016. Excluding the effect of the tax benefit and goodwill impairment on net income, the increase in GAAP net revenues, along with a greater portion of the top-line mix coming from the higher margin Learning A-Z and ExploreLearning segments, drove improvement in both net income and Adjusted EBITDA.

- Net interest expense was \$1.0 million for the fourth quarter of 2017, down \$0.6 million from the fourth quarter of 2016 as a result of the scheduled debt amortization payments and voluntary prepayments made during 2016.
- Cash Income was \$7.5 million, an increase of \$1.2 million compared to Cash Income of \$6.3 million in the fourth quarter of 2016. Capital expenditures totaled \$4.2 million in the fourth quarter of 2017 versus \$3.9 million in the fourth quarter of 2016.

Fiscal Year 2017 Segment Discussion

Net Revenues, Bookings, Net Income, and Cash Income changes by segment for the three months and year ended December 31, 2017, compared to the same period of 2016 were:

	Q4 - 2017 % Change				YTD - 2017 % Change			
	Net Revenues	Bookings	Net Income	Cash Income	Net Revenues	Bookings	Net Income	Cash Income
Learning A-Z	10 %	14 %	14 %	12 %	14 %	10 %	15 %	8 %
ExploreLearning	15 %	21 %	4 %	12 %	17 %	19 %	24 %	28 %
Voyager Sopris Learning	(15)%	(19)%	(42)%	3 %	(12)%	(16)%	(13)%	(23)%
Shared Services			229 %	(7)%			66 %	5 %
Cambium Learning Group, Inc.	2 %	7 %	929 %	19 %	4 %	2 %	332 %	13 %

Bookings increased 2% for the year ended December 31, 2017 compared to 2016. By segment:

- Learning A-Z reported Bookings growth of \$7.5 million for the year ended December 31, 2017 compared to 2016, representing a double-digit year over year growth rate of 10%.
- ExploreLearning reported a \$4.9 million, or 19%, Bookings increase for the year ended December 31, 2017 compared to 2016 with double-digit growth for both the *Reflex*[®] math product and the *Gizmos*[®] math and science simulations.
- Voyager Sopris Learning reported a Bookings decline of \$(9.8) million for the year ended December 31, 2017 compared to 2016. The Bookings decline of (16)% came primarily from the segment's legacy print and transactional solutions, which are not the strategic focus of the segment, and were 21% lower than prior year. Bookings for the segment's technology-enabled solutions declined 3%, falling short of Company expectations for growth this year, as slow traction for the new *Velocity*[®] solution combined with an expected decline in many of the older technology offerings. *LANGUAGE! Live*[®], the segment's digital flagship solution for technology-enabled adolescent intervention, had strong growth of 20% during the year.

2018 Outlook

Mr. Campbell concluded, "Our 2017 results show our continued focus on increasing cash generation and the long term value of the company. For 2018, we expect improved top-line growth, coupled with disciplined expense management, while investing in development, marketing and sales, should drive continued expansion in our Cash Income, Adjusted EBITDA, and cash flow generation. Cambium Learning's mission is to leverage technology to create solutions that are personalized, adaptive, scalable, and designed to achieve results in the classroom that can change the trajectory of students' lives. Demand for these solutions is strong, and we are poised and ready to execute well and to deliver strong financial results in 2018."

Company-wide, management is setting an initial outlook for 2018 Bookings growth at a higher percentage than 2017, 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, and management expects to refine its Bookings outlook as the year progresses.

The Company expects its 2018 Bookings growth to be driven by its two 100% technology 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.

The Company expects 2018 capital expenditures to be roughly consistent with 2017 and 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. Absent another use of cash during the year, the Company expects to be substantially debt free by the end of 2018.

Conference Call

Cambium Learning Group's management team will conduct a conference call at 9 a.m. EDT today (Wednesday, March 7, 2018) to discuss its financial results. 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 # 8577809.

A replay will be available by dialing 855.859.2056 or 404.537.3406, passcode # 8577809, until March 8, 2018. The webcast will also be archived on the Company's Investor Relations page.

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, 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)

	Year Ended December 31,	
	2017	2016
Net revenues	\$ 158,184	\$ 152,358
Cost of revenues:		
Cost of revenues	27,566	30,122
Amortization expense	17,968	18,142
Total cost of revenues	45,534	48,264
Research and development expense	13,651	12,865
Sales and marketing expense	49,470	47,238
General and administrative expense	20,620	21,062
Shipping and handling costs	825	912
Depreciation and amortization expense	2,797	3,406
Goodwill impairment	4,325	—
Total costs and expenses	137,222	133,747
Income before interest, other income (expense) and income taxes	20,962	18,611
Net interest expense	(4,845)	(7,190)
Loss on extinguishment of debt	(360)	(698)
Income before income taxes	15,757	10,723
Income tax benefit (expense)	29,298	(293)
Net income	\$ 45,055	\$ 10,430
Net income per common share:		
Basic net income per common share	\$ 0.97	\$ 0.23
Diluted net income per common share	\$ 0.95	\$ 0.22
Average number of common shares and equivalents outstanding:		
Basic	46,416	45,861
Diluted	47,594	47,217

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

ASSETS	December 31,	
	2017	2016
Current assets:		
Cash and cash equivalents	\$ 8,493	\$ 4,930
Accounts receivable, net	12,937	13,378
Inventory	2,382	2,864
Restricted assets, current	961	988
Other current assets	11,193	11,235
Total current assets	35,966	33,395
Property, equipment and software at cost	65,250	62,885
Accumulated depreciation and amortization	(43,164)	(39,378)
Property, equipment and software, net	22,086	23,507
Goodwill	43,518	47,842
Other intangible assets, net	3,607	4,001
Pre-publication costs, net	17,758	17,397
Restricted assets, less current portion	1,293	2,278
Deferred tax assets	30,614	—
Other assets	3,712	3,520
Total assets	158,554	131,940
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	2,388	2,172
Accrued expenses	12,121	11,720
Current portion of long-term debt	5,958	7,350
Deferred revenue, current	86,913	83,318
Total current liabilities	107,380	104,560
Long-term liabilities:		
Long-term debt	41,841	67,130
Deferred revenue, less current portion	13,995	11,395
Other liabilities	9,630	10,117
Total long-term liabilities	65,466	88,642
Stockholders' equity (deficit):		
Preferred Stock (\$0.001 par value, 15,000 shares authorized, zero shares issued and outstanding at December 31, 2017 and 2016)	—	—
Common stock (\$0.001 par value, 150,000 shares authorized, 53,333 and 52,738 shares issued, and 46,800 and 46,206 shares outstanding at December 31, 2017 and 2016, respectively)	53	53
Capital surplus	289,022	286,943
Accumulated deficit	(288,490)	(333,545)
Treasury stock at cost (6,532 shares at December 31, 2017 and 2016)	(12,784)	(12,784)
Accumulated other comprehensive loss:		
Pension and postretirement plans	(2,093)	(1,929)
Accumulated other comprehensive loss	(2,093)	(1,929)
Total stockholders' equity (deficit)	(14,292)	(61,262)
Total liabilities and stockholders' equity (deficit)	\$ 158,554	\$ 131,940

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

<i>(in thousands)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Net income	\$ 30,256	\$ 2,940	\$ 45,055	\$ 10,430
Reconciling items between net income and EBITDA:				
Depreciation and amortization expense	5,651	6,071	20,765	21,548
Net interest expense	1,011	1,592	4,845	7,190
Income tax (benefit) expense	(30,171)	87	(29,298)	293
Income from operations before interest, income taxes, and depreciation and amortization (EBITDA)	6,747	10,690	41,367	39,461
Non-operational or non-cash costs included in EBITDA but excluded from Adjusted EBITDA:				
Loss on extinguishment of debt	360	698	360	698
Restructuring costs	1,107	173	1,388	1,103
Goodwill impairment	4,325	—	4,325	—
Merger, acquisition and disposition activities	181	140	658	585
Stock-based compensation and expense	224	247	865	928
Adjusted EBITDA	12,944	11,948	48,963	42,775
Change in deferred revenues	(1,451)	(2,953)	6,195	9,125
Change in deferred costs	239	1,179	(936)	(62)
Capital expenditures	(4,248)	(3,883)	(18,160)	(20,054)
Cash income	\$ 7,484	\$ 6,291	\$ 36,062	\$ 31,784

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

Three Months Ended December 31, 2017

<i>(in thousands)</i>	Learning A-Z	ExploreLearning	Voyager Sopris Learning	Consolidated
Bookings	\$ 21,060	\$ 8,461	\$ 7,453	\$ 36,974
Change in deferred revenues	(1,159)	(1,169)	3,779	1,451
Other	(99)	(87)	90	(96)
Net revenues	<u>\$ 19,802</u>	<u>\$ 7,205</u>	<u>\$ 11,322</u>	<u>\$ 38,329</u>

Year Ended December 31, 2017

<i>(in thousands)</i>	Learning A-Z	ExploreLearning	Voyager Sopris Learning	Consolidated
Bookings	\$ 80,756	\$ 30,967	\$ 52,642	\$ 164,365
Change in deferred revenues	(5,509)	(3,070)	2,384	(6,195)
Other	(99)	(40)	153	14
Net revenues	<u>\$ 75,148</u>	<u>\$ 27,857</u>	<u>\$ 55,179</u>	<u>\$ 158,184</u>

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

Three Months Ended December 31, 2017

<i>(in thousands)</i>	Learning A-Z	Explore Learning	Voyager Sopris Learning	Other	Consolidated
Net income	\$ 11,059	\$ 2,335	\$ 1,624	\$ 15,238	\$ 30,256
Reconciling items between net income and EBITDA:					
Depreciation and amortization expense	—	—	—	5,651	5,651
Net interest expense	—	—	—	1,011	1,011
Income tax benefit	—	—	—	(30,171)	(30,171)
Income from operations before interest, income taxes, and depreciation and amortization (EBITDA)	11,059	2,335	1,624	(8,271)	6,747
Non-operational or non-cash costs included in EBITDA but excluded from Adjusted EBITDA:					
Loss on extinguishment of debt	—	—	—	360	360
Restructuring costs	—	—	949	158	1,107
Goodwill impairment	—	—	—	4,325	4,325
Merger, acquisition and disposition activities	—	—	—	181	181
Stock-based compensation and expense	52	37	69	66	224
Adjusted EBITDA	11,111	2,372	2,642	(3,181)	12,944
Change in deferred revenues	1,159	1,169	(3,779)	—	(1,451)
Change in deferred costs	(134)	(71)	444	—	239
Capital expenditures - product development	(1,817)	(817)	(886)	—	(3,520)
Capital expenditures - general expenditures	(182)	(181)	(113)	(252)	(728)
Cash income	<u>\$ 10,137</u>	<u>\$ 2,472</u>	<u>\$ (1,692)</u>	<u>\$ (3,433)</u>	<u>\$ 7,484</u>

Year Ended December 31, 2017

<i>(in thousands)</i>	Learning A-Z	Explore Learning	Voyager Sopris Learning	Other	Consolidated
Net income	\$ 38,784	\$ 10,701	\$ 10,853	\$ (15,283)	\$ 45,055
Reconciling items between net income and EBITDA:					
Depreciation and amortization expense	—	—	—	20,765	20,765
Net interest expense	—	—	—	4,845	4,845
Income tax benefit	—	—	—	(29,298)	(29,298)
Income from operations before interest, income taxes, and depreciation and amortization (EBITDA)	38,784	10,701	10,853	(18,971)	41,367
Non-operational or non-cash costs included in EBITDA but excluded from Adjusted EBITDA:					
Loss on extinguishment of debt	—	—	—	360	360
Restructuring costs	—	—	1,230	158	1,388
Goodwill impairment	—	—	—	4,325	4,325
Merger, acquisition and disposition activities	—	—	—	658	658
Stock-based compensation and expense	205	121	281	258	865
Adjusted EBITDA	38,989	10,822	12,364	(13,212)	48,963
Change in deferred revenues	5,509	3,070	(2,384)	—	6,195
Change in deferred costs	(557)	(202)	(177)	—	(936)
Capital expenditures - product development	(7,635)	(2,965)	(4,845)	—	(15,445)
Capital expenditures - general expenditures	(1,212)	(550)	(429)	(524)	(2,715)
Cash income	\$ 35,094	\$ 10,175	\$ 4,529	\$ (13,736)	\$ 36,062

**Deferred Revenue by Segment - 2017
(unaudited)**

December 31, 2017					
<i>(in thousands)</i>	Learning A-Z	Explore Learning	Voyager Sopris Learning	Consolidated	
Deferred revenue, current	\$ 52,000	\$ 20,104	\$ 14,809	\$ 86,913	
Deferred revenue, less current portion	7,073	2,468	4,454	13,995	
Deferred revenue	\$ 59,073	\$ 22,572	\$ 19,263	\$ 100,908	

**Deferred Costs by Segment - 2017
(unaudited)**

December 31, 2017					
<i>(in thousands)</i>	Learning A-Z	Explore Learning	Voyager Sopris Learning	Consolidated	
Deferred costs, current	\$ 4,682	\$ 1,831	\$ 2,733	\$ 9,246	
Deferred costs, less current portion	601	225	919	1,745	
Deferred costs	\$ 5,283	\$ 2,056	\$ 3,652	\$ 10,991	

Cambium Learning Group, Inc. and Subsidiaries
Reconciliation of Bookings to Net Revenues by Segment - 2016
(unaudited)

Three Months Ended December 31, 2016

<i>(in thousands)</i>	Learning A-Z	ExploreLearning	Voyager Sopris Learning	Consolidated
Bookings	\$ 18,427	\$ 7,009	\$ 9,199	\$ 34,635
Change in deferred revenues	(303)	(648)	3,904	2,953
Other	(202)	(114)	215	(101)
Net revenues	<u>\$ 17,922</u>	<u>\$ 6,247</u>	<u>\$ 13,318</u>	<u>\$ 37,487</u>

Year Ended December 31, 2016

<i>(in thousands)</i>	Learning A-Z	ExploreLearning	Voyager Sopris Learning	Consolidated
Bookings	\$ 73,253	\$ 26,037	\$ 62,488	\$ 161,778
Change in deferred revenues	(6,913)	(2,376)	164	(9,125)
Other	(291)	78	(82)	(295)
Net revenues	<u>\$ 66,049</u>	<u>\$ 23,739</u>	<u>\$ 62,570</u>	<u>\$ 152,358</u>

Reconciliation of Net Income to Adjusted EBITDA and Cash Income by Segment - 2016
(unaudited)

Three Months Ended December 31, 2016

<i>(in thousands)</i>	Learning A-Z	Explore Learning	Voyager Sopris Learning	Other	Consolidated
Net income	\$ 9,732	\$ 2,241	\$ 2,815	\$ (11,848)	\$ 2,940
Reconciling items between net income and EBITDA:					
Depreciation and amortization expense	—	—	—	6,071	6,071
Net interest expense	—	—	—	1,592	1,592
Income tax expense	—	—	—	87	87
Income from operations before interest, income taxes, and depreciation and amortization (EBITDA)	9,732	2,241	2,815	(4,098)	10,690
Non-operational or non-cash costs included in EBITDA but excluded from Adjusted EBITDA:					
Loss on extinguishment of debt	—	—	—	698	698
Restructuring costs	—	—	173	—	173
Merger, acquisition and disposition activities	—	—	—	140	140
Stock-based compensation and expense	56	32	80	79	247
Adjusted EBITDA	9,788	2,273	3,068	(3,181)	11,948
Change in deferred revenues	303	648	(3,904)	—	(2,953)
Change in deferred costs	712	(47)	514	—	1,179
Capital expenditures - product development	(1,674)	(603)	(1,321)	—	(3,598)
Capital expenditures - general expenditures	(75)	(69)	(110)	(31)	(285)
Cash income	<u>\$ 9,054</u>	<u>\$ 2,202</u>	<u>\$ (1,753)</u>	<u>\$ (3,212)</u>	<u>\$ 6,291</u>

Year Ended December 31, 2016

<i>(in thousands)</i>	Learning A-Z	Explore Learning	Voyager Sopris Learning	Other	Consolidated
Net income	\$ 33,679	\$ 8,635	\$ 12,545	\$ (44,429)	\$ 10,430
Reconciling items between net income and EBITDA:					
Depreciation and amortization expense	—	—	—	21,548	21,548
Net interest expense	—	—	—	7,190	7,190
Income tax expense	—	—	—	293	293
Income from operations before interest, income taxes, and depreciation and amortization (EBITDA)	33,679	8,635	12,545	(15,398)	39,461
Non-operational or non-cash costs included in EBITDA but excluded from Adjusted EBITDA:					
Loss on extinguishment of debt	—	—	—	698	698
Restructuring costs	—	—	1,103	—	1,103
Merger, acquisition and disposition activities	—	—	—	585	585
Stock-based compensation and expense	223	124	294	287	928
Adjusted EBITDA	33,902	8,759	13,942	(13,828)	42,775
Change in deferred revenues	6,913	2,376	(164)	—	9,125
Change in deferred costs	206	(366)	98	—	(62)
Capital expenditures - product development	(7,492)	(2,427)	(7,422)	—	(17,341)
Capital expenditures - general expenditures	(1,027)	(419)	(566)	(701)	(2,713)
Cash income	<u>\$ 32,502</u>	<u>\$ 7,923</u>	<u>\$ 5,888</u>	<u>\$ (14,529)</u>	<u>\$ 31,784</u>



Cambium Learning Group, Inc.

Fourth Quarter 2017 Earnings Conference Call

March 7, 2018

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C O R P O R A T E P A R T I C I P A N T S

Scott McWhorter, *General Counsel and Corporate Secretary*

John Campbell, *Chief Executive Officer*

Barbara Benson, *Chief Financial Officer*

P R E S E N T A T I O N

Operator:

Good day, ladies and gentlemen, and welcome to the Cambium Learning Group Fourth Quarter 2017 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions will follow at that time. If anyone should require assistance during the conference, please press star, then zero on your touchtone telephone. As a reminder, this conference call is being recorded.

I would now like to turn the conference over to Scott McWhorter, of Cambium's General Counsel. Please begin.

Scott McWhorter:

Thank you, and welcome, everyone, to Cambium Learning Group's Fourth Quarter 2017 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, including those during the question-and-answer session, 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-K 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.

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

John Campbell:

Thanks, Scott. Good morning, everyone, and thank you for joining us today. Cambium Learning Group ended 2017 with a solid fourth quarter performance, delivering full-year Bookings, Adjusted EBITDA and Cash

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Income growth in line with our most recent expectations. Technology-enabled SaaS solutions represented 79% of our total Bookings mix, and at year-end up from 73% in 2016, driven by double-digit growth of our digital solutions at Learning A-Z and ExploreLearning, as well as the LANGUAGE! Live product at Voyager Sopris Learning. As our digital solutions perform at higher rates of profitability than our legacy print solutions, this top-line growth and mix change is evolving our business model, further expanding our margins and cash flow delivery. These results demonstrate our continued focus on increasing cash generation and the long-term value of the Company.

Now let's look at our segments' performance. Learning A-Z, the standard-bearer of our digital solutions strategy, grew 2017 Bookings 10% on 14% growth in the fourth quarter, with all solutions growing year-over-year. As demand for digital solutions in school districts, both in the U.S. and around the world remains healthy, and as the solutions that we provide are cost-effective and drive student success, we believe our long-term potential to grow our technology-enabled, SaaS solutions remains robust.

In the past two years we delivered double-digit growth, but at rates lower than our original forecast. Therefore, in the fourth quarter we undertook a diagnostic exercise to formulate steps to accelerate our growth rate going forward, both to ensure we are capturing all the market share we can and to ensure we are delivering reliable and optimized value to all of our stakeholders.

The largest sources of headwind included external facts of life, such as the lengthening of some sales cycles and the timing of certain districts' funding that caused purchases to slide to later quarters, but we also uncovered some opportunities to make certain process and sales training improvements, and some opportunities to drive continued strong renewal rates.

What we did not find in this exercise was much in terms of competitive loss of opportunity, either in new sales or renewals. This, in our view, reaffirms the strength of our strong market position and our product development capability, particularly with SaaS solutions which are continually evolving.

Learning A-Z was recently awarded a 2017 Tech and Learning Award of Excellence for its Raz-Plus product in the New Products category, honored as an education technology product that breaks new ground and adds significant enhancements to existing offerings. This is a true honor because the winners are chosen by educator judges and acknowledges Raz-Plus as serving the need it was designed to serve: the teacher who must meet each child at his or her level and the students striving to become proficient in all critical domains of literacy. Raz-Plus also recently won a *Learning* magazine 2018 Teachers' Choice Award for the Classroom.

We have fine-tuned some of our processes but our mission at Learning A-Z for 2018 has not changed. We provide stellar literacy-focused resources that blend traditional teacher-led instruction with online resources that make teachers more effective and efficient. Learning A-Z has now achieved IMS Global Conformance Certification for its products on the OneRoster® version 1.0 and version 1.1 CSV standards, a critically important interoperability milestone that will enable us to deliver our award-winning literacy resources to students everywhere. We expect strong growth from Learning A-Z in 2018.

Before I move on from Learning A-Z, I'd like to lastly mention that during the fourth quarter of last year, co-founder Bob Holl, who grew Learning A-Z from an idea into a market leader, stepped down to an Advisory role where he will continue to help us by providing his vision about what teachers and students need to make academic progress a reality.

We appointed Patrick Marcotte as President of the division to succeed Bob. Patrick was most recently Vice President of Research and Development and came to us through the Headsprout acquisition. He is a strong leader in evidence-based instructional design, software as a service, educational policy, and customer-focused product development, having worked directly on implementations with several large

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U.S. school districts. We look to Patrick to carry on Bob's passionate and dedicated leadership and find new ways to expand Learning A-Z's business.

Let us move now to ExploreLearning. This segment grew 2017 Bookings 19% on an increase of 21% in the fourth quarter with both the Gizmos and Reflex product lines growing double digits and showing strong momentum all year. During the quarter we completed our acquisition of IS3D, LLC. This startup developed Cogent Education's award-winning Interactive Cases which are dynamic online experiences that allow students to simulate real-world STEM activities by playing the role of a professional tasked with solving a real-world problem. These immersive simulations are similar to Gizmos' math and science simulations and help students fully engage to master difficult concepts by authentically solving problems. In addition to terrific resources and technology to help STEM students, IS3D brought us tremendous development talent. We expect the integrated product to begin contributing to revenue in 2019.

ExploreLearning was once again named one of the best places to work in Virginia. We are honored to be recognized again as our ability to attract and retain top talent is key to delivering innovative solutions that make a difference for students and we maintain a supportive work environment in order to do so. ExploreLearning had a fantastic year in 2017 and we expect that momentum to carry into 2018 and provide strong Bookings growth and the opportunity for even more students to have success in math and science.

At Voyager Sopris Learning, 2017 Bookings declined 16% on a 19% decline for the fourth quarter. LANGUAGE! Live, the segment's digital flagship and high-efficacy adolescent intervention solution, gained momentum and grew 20% for the year, although the legacy print and transactional solutions drove an overall decline.

We believe the intervention marketplace is growing as more students fall behind. Voyager Sopris Learning's valuable resources and solutions that improve the trajectory of students' lives is enabling us to reposition this division's role in this space, offering tremendous opportunity for growth. We recently launched a blended version of our LETRS professional development course of study that prepares educators for the challenging work of teaching literacy. The highly effective LETRS solution has been an important component of Voyager Sopris Learning's brand leadership in the intervention space, and our customers and employees are very excited about the launch of this newer and more flexible version.

Based on the successful momentum of LANGUAGE! Live and the warm reception to the new LETRS launch, we believe the market is very responsive right now to blended solutions, but we have continued to see buying cycles for intervention products that tend to be longer than in the mainstream technology segments. Our strategy is to support continued growth of strategic product lines on a cost structure sized to afford us the time and flexibility we need to build momentum on more impactful technology-enabled solutions that are the future of this division's growth and profitability expansion as we generate profit streams from remaining legacy products. We are focused on diligently cultivating increased profitability as we reverse the Bookings trend over time.

In 2017 for Cambium Learning Group as a whole, we generated Cash Income growth on expanding margins as we delivered on the promise of our increasingly technology-enabled, SaaS business model, and digital solutions approached 80% of our volume. We evaluated our forecasting discipline and refined our go-to-market strategy to drive stronger sustained growth going forward. We expect top-line growth, careful expense management and continued investments in development, marketing and sales will drive incremental expansion in our Cash Income, Adjusted EBITDA, and cash flow. We will fine-tune this as we progress toward the back-to-school season. We are poised and ready to execute well and to deliver strong financial results in 2018.

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Looking beyond 2018, as digital solutions comprise in excess of 80% of our Bookings, we expect the investments we're making in Learning A-Z and ExploreLearning, as well as the continued strategic progress at Voyager Sopris Learning, to fuel top-line growth and make our business model incrementally more profitable and cash flow generative. Cambium Learning's mission is to leverage technology to create solutions that are personalized, adaptive, scalable and designed to achieve results in the classroom that can change the trajectory of students' lives. We are committed to accelerating the returns we deliver while championing our core principles. Every learner has untapped potential; teachers matter, and are the foundation of education; and 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. Barbara?

Barbara Benson:

Thanks, John, and good morning, everyone. In 2017 we made further progress on our strategic objectives, grew our top-line, expanded our profitability and strengthened our balance sheet. I'll quickly recap the financial results, starting with Bookings.

Company-wide Bookings in 2017 grew 2% to \$164.4 million, in line with our most recent guidance with Learning A-Z growing 10% to \$80.8 million, ExploreLearning growing 19% to \$31.0 million, and Voyager Sopris Learning declining 16% to \$52.6 million. That's a 2017 Bookings mix by segment of 49% Learning A-Z, 19% ExploreLearning and 32% Voyager Sopris Learning.

Company-wide, technology-enabled products made up 79% of the Bookings mix in 2017 compared to 73% in 2016. Specific to Voyager Sopris Learning, where we sell both technology and print products, our digital products made up 34% of Bookings in 2017 compared to 30% in 2016.

In 2017 we grew Adjusted EBITDA \$6.2 million or 14% to \$49.0 million, and EBITDA margin expanded 288 basis points to 31%. The Adjusted EBITDA improvement was driven by GAAP revenue growth of 4%, which exceeded our Bookings growth rate due to the impact of recognition of Bookings from prior years. The GAAP revenue growth came from our higher-margin segments, Learning A-Z and ExploreLearning, and we coupled the positive shift in product mix with effective cost management. Excluding the non-cash goodwill impairment charge, costs and expenses were flattish in 2017 compared to 2016, with the benefit of cost right-sizing activities at Voyager Sopris Learning offset by planned investments in development marketing and sales at Learning A-Z and ExploreLearning.

Cash Income grew from \$31.8 million in 2016 to \$36.1 million in 2017, a 13% increase, and Cash Income margin expanded 229 basis points to 22%. Like Adjusted EBITDA, the year over year Cash Income expansion is attributable to the top-line growth at the higher-margin Learning A-Z and ExploreLearning segments and solid cost management. Our Cash Income also achieved additional leverage from lower cap-ex spending in 2017, also part of the cost reduction plan for Voyager Sopris Learning.

We had several charges which are excluded from our Adjusted EBITDA and Cash Income non-GAAP measures. Last quarter we discussed the restructuring completed in the fourth quarter in response to the continued decline in Bookings at the Voyager Sopris Learning segment. In total we eliminated 34 positions and expect an annualized run rate cash savings of approximately \$3.5 million at the Voyager Sopris Learning segment. Due to the timing of the restructuring activities, we benefited from approximately \$0.6 million of the annualized run rate cash savings in 2017. Total restructuring expense included in 2017 results is \$1.4 million. Note that results for prior year 2016 also included restructuring costs which were \$1.1 million.

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Second, we recorded a goodwill impairment charge in the fourth quarter of 2017 of \$4.3 million. The impairment was related to the Kurzweil Education business which is now fully integrated into the Voyager Sopris Learning segment. The subscription Kurzweil Education product is growing modestly, but the goodwill associated with the Kurzweil Education business dates back to 2007 and these products are just not part of our primary strategic focus.

Third, in October we made a voluntary payment of the remaining \$9.6 million of principal on the Term Loan B of the Senior Secured Credit Facility. In December, we made additional voluntary payments to the Term Loan A of \$11 million for a total of \$20.6 million of voluntary prepayments in the fourth quarter. Net income for 2017 includes a loss on extinguishment of debt of \$0.4 million related to these repayments. Results for prior year also include a loss on extinguishment of debt totaling \$0.7 million related to term loan prepayments in 2016. Interest expense was \$4.8 million in 2017, \$2.3 million lower than the \$7.2 million reported in 2016, as a result of the voluntary principal payments and ongoing scheduled quarterly amortization payments.

Lastly, at year-end we determined that it was appropriate to release most of the valuation allowance that was recorded on our deferred tax assets, including our NOLs, which resulted in a very large tax benefit for 2017. Concurrently, we reduced the value of our deferred tax assets to reflect the recently implemented lower corporate tax rate. These significant changes, along with normal current year tax activity, resulted in a net tax benefit in 2017 of \$29.3 million; 2016 tax expense was \$0.3 million, primarily related to state taxes. Underlying all this, we demonstrated solid income improvement from our reductions to interest expense burden and our Bookings growth and mix shift to higher-margin digital solutions which have consistently increased GAAP revenues and core operating results.

Cash and cash equivalents at year-end 2017 are \$8.5 million. Cash provided by operations was \$49.2 million in 2017 compared to \$44.5 million in 2016, reflecting the higher operational results and lower cash interest. Investing activities include cash paid for ExploreLearning's acquisition of IS3D, LLC, completed in early November. We ended the year with \$48.5 million of principal outstanding on our term loans after making scheduled amortization payments of \$7.0 million and voluntary prepayments of \$20.6 million. Our net debt to Adjusted EBITDA ratio was below 1x at the end of 2017.

I'll move now to the 2018 outlook. As John discussed, we are setting an initial expectation for company-wide Bookings growth at a higher percentage than what we saw in 2017, driven by continued strong growth at Learning A-Z and ExploreLearning. At Voyager Sopris Learning, the momentum of the LANGUAGE! Live solution, which grew 20% in 2017, is likely to carry into similar growth in 2018. We see this product as having a strong runway given demand for intervention solutions, and it has gained enough traction to become a meaningful part of Bookings. It was 18% of Voyager Sopris Learning Bookings in 2017. Bookings at this segment will also be impacted by the pace of decline of the legacy solutions which is less predictable.

On the cost side we are very focused this upcoming year on making investments to create long term sustainable growth for our digital SaaS solutions. We'll invest in several initiatives and product enhancements at Learning A-Z, and ExploreLearning's spending will include integration of the Cogent Education content and functionality into the ExploreLearning Gizmos product line. Although the existing Cogent Education content is currently available for sale on a stand-alone basis, these stand-alone sales are not our focus and are not expected to be material, and, therefore, the acquisition is not expected to provide meaningful Bookings until the release of the integrated product in 2019. Therefore, the integration costs will impact the 2018 ExploreLearning Cash Income margins by roughly 500 basis points. Most of these costs will be included in cap-ex. Company-wide capital expenditures in 2018 are expected to be roughly consistent with 2017, including the Cogent Education integration work.

Cambium Learning Group, Inc. – Fourth Quarter 2017 Earnings Conference Call, March 7, 2018

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Taking these investments into consideration, along with the cost savings we'll realize from the recent Voyager Sopris Learning restructuring, we expect expansion of our Cash Income margin in 2018, driven by continued strong growth in our higher-margin segments. We expect cash paid for interest in 2018 to be in the neighborhood of \$3.0 million. Total interest expense will be around \$0.5 million higher than that, including the non-cash amortization of debt issuance costs and upfront fees.

Because we released the valuation allowance on our deferred tax assets at the end of 2017, we will have a more normal tax expense effective rate starting in 2018. With the 21% new corporate rate, plus the ongoing state tax burden, I estimate that effective rate to be between 24% and 27%. For cash taxes, we expect to utilize our net operating losses to offset U.S. Federal taxable income in 2018. When we file our 2017 tax return later this year, we expect to use approximately \$16.3 million of our Federal NOLs, leaving us with a remaining \$63.6 million of NOLs and to pay a small amount of U.S. Federal alternative minimum tax in 2018 along with State taxes.

Consistent with the seasonal nature of our business, we expect to use cash and borrow on our revolver in the first and second quarters, and to grow cash and pay down the revolver in the third and fourth quarters. Our required debt principal payments in 2018 are \$6.0 million. Absent another use of cash during the year, we expect to be substantially debt-free by the end of 2018.

With that, I'd like to move on to our Q&A session.

Operator:

Thank you. Ladies and gentlemen, if you have a question at this time, please press the star, then one key on your touchtone telephone. If your question has been answered or you wish to remove yourself from the queue, you may press the pound key. To prevent any background noise, we ask that you please place your line on mute once your question has been stated.

Once again, if you do have a question, please press star, then one on your touchtone telephone. One moment for questions.

I'm not showing any questions in the queue. At this time I would like to turn the call back to Mr. Campbell for closing remarks.

John Campbell:

Well, thanks again, everyone, for joining us on our call today. We look forward to reporting our first quarter results on our next call. Have a great day.

Operator:

Thank you. Ladies and gentlemen, this concludes today's conference. You may now disconnect. Everyone, have a good day.