

**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): May 14, 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.

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**Item 2.02 Results of Operations and Financial Condition.**

On May 14, 2018, Cambium Learning Group, Inc. (the "Company") issued a press release announcing its financial results for the three months ended March 31, 2018. A copy of the press release is attached hereto as Exhibit 99.1.

**Item 7.01 Regulation FD Disclosure.**

The Company also announced in its May 14, 2018 press release that it has initiated a 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. A copy of the press release is attached hereto as Exhibit 99.1.

On May 14, 2018, the Company hosted a conference call to discuss its financial results for the three months ended March 31, 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	<a href="#">Press Release, dated May 14, 2018</a>
99.2	<a href="#">Transcript of Cambium Learning Group, Inc.'s earnings conference call held on May 14, 2018</a>

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**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.

*May 16, 2018*

*/s/ Barbara Benson*

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Name: Barbara Benson

Title: Chief Financial Officer



## Cambium Learning Group Reports First Quarter 2018 Financial Results

*Reaffirming Full-Year Outlook*

### Announces Review of Strategic Alternatives to Maximize Shareholder Value Enters into Definitive Agreement to Acquire Edtech Provider VKidz

**DALLAS, TX** – May 14, 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 first quarter ended March 31, 2018. The Company also announced that it has initiated a review of strategic alternatives to maximize shareholder value and entered into a definitive agreement to acquire VKIDZ Holdings Inc., a Florida-based award-winning edtech company providing curriculum and supplementary programs to homeschool families and elementary schools.

#### FIRST QUARTER 2018 RESULTS

"Cambium Learning Group delivered solid first quarter results, with company-wide growth compared to prior year first quarter in Bookings, revenues, Cash Income and net income. We are on track in building our pipeline toward the back-to-school selling season, and our full-year outlook remains unchanged. We are also proud that our technology-enabled solutions were honored with the highest number of BESSIE awards of any contender," said John Campbell, Chief Executive Officer. "While the first quarter of any year is seasonally our lowest-volume period and does not generally serve as an indicator of performance, we are off to a strong start in terms of both our first quarter results and strategically, with our development, marketing and sales initiatives leading up to the important back-to-school period. We continue to execute our strategy to drive top-line growth with our SaaS solutions."

#### Financial Snapshot

For the quarter ended March 31, 2018, the Company reported the following financial results:

<i>(in millions)</i>	Three Months Ended March 31,		
	2018	2017	\$ Change
<b>GAAP net revenues</b>	\$ 36.6	\$ 36.0	\$ 0.6
<b>GAAP net income</b>	2.6	2.5	0.1
<i>Net income margin %</i>	7 %	7 %	
<b>EBITDA</b>	8.5	8.7	(0.2)
<b>Adjusted EBITDA</b>	8.9	9.0	(0.1)
<i>Adjusted EBITDA margin %</i>	24 %	25 %	
<b>Bookings</b>	\$ 19.9	\$ 19.1	\$ 0.7
<b>Cash income</b>	(10.6)	(10.8)	0.2
<i>Cash income margin %</i>	(53)%	(57)%	

#### First Quarter 2018 Financial Highlights

- GAAP net revenues for the first quarter of 2018 increased by \$0.6 million, or 2%, to \$36.6 million compared with \$36.0 million in 2017. GAAP net revenues by segment for the quarter ended March 31, 2018, and the change from the same period of 2017, were as follows:
  - Learning A-Z - \$19.1 million, increased \$1.0 million or 5%

- ExploreLearning - \$7.5 million, increased \$0.7 million or 11%
- Voyager Sopris Learning - \$10.0 million, decreased \$(1.0) million or (9)%.
- Bookings for the first quarter of 2018 increased by 4% to \$19.9 million, compared with \$19.1 million in the first quarter of 2017, with growth in the ExploreLearning and Voyager Sopris Learning segments partially offset by a slight decrease in the Learning A-Z segment.
- The Company reported GAAP net income of \$2.6 million during the first quarter of 2018, increasing \$0.1 million compared to net income of \$2.5 million during the first quarter of 2017.
- Adjusted EBITDA was \$8.9 million, decreasing \$0.1 million from \$9.0 million in 2017, with the growth in GAAP net revenues in the first quarter more than offset by strategic investments made to development, marketing and sales initiatives to support full-year and long-term growth of the Company's technology solutions.
- Net interest expense was \$0.8 million for the first quarter of 2018, down \$0.4 million from the first quarter of 2017 as a result of the scheduled debt amortization payments and voluntary prepayments made during 2017.
- The Company's effective tax rate for the first quarter of 2018 is higher than the effective tax rate for the first quarter of 2017 as a result of reducing the valuation allowance against most of the Company's deferred tax assets in the fourth quarter of 2017.
- Cash Income was \$(10.6) million for the first quarter of 2018 compared to Cash Income of \$(10.8) million for the first quarter of 2017. Capital expenditures totaled \$4.0 million in the first quarter of 2018 versus \$4.5 million in the first quarter of 2017.
- The Company had cash and cash equivalents of \$4.5 million at March 31, 2018. For the quarter ended March 31, 2018, cash used in operations was \$6.2 million, cash used in investing activities was \$4.0 million, and cash provided by financing activities was \$6.2 million. At March 31, 2018, the principal amount of term loans outstanding was \$47.1 million, the revolving credit facility outstanding was \$7.0 million and there was \$22.8 million available under the revolving credit facility.
- The Company's technology-enabled products continue to receive industry recognition. Cambium Learning Group was recently awarded 10 Best Educational Software (BESSIE) awards from *ComputED Gazette*, more than any other company.

#### **First Quarter 2018 Segment Results**

Net Revenues, Bookings, Net Income, and Cash Income changes by segment for the three months ended March 31, 2018, compared to the same period of 2017 were as follows:

	<b>Q1 - 2018 % Change</b>			
	<b>Net Revenues</b>	<b>Bookings</b>	<b>Net Income</b>	<b>Cash Income</b>
Learning A-Z	5 %	(3)%	— %	(136)%
ExploreLearning	11 %	10 %	(4)%	(42)%
Voyager Sopris Learning	(9)%	12 %	34 %	49 %
Shared Services			(1)%	(9)%
<b>Cambium Learning Group, Inc.</b>	<b>2 %</b>	<b>4 %</b>	<b>3 %</b>	<b>2 %</b>

#### **2018 Outlook**

Mr. Campbell stated, "In 2018, we are focused on driving Bookings growth of higher-margin SaaS solutions and making careful investments in development, marketing and sales, coupled with strong expense discipline, to drive expansion in Cash Income, Adjusted EBITDA, cash flow generation, and long-term value delivery to our stakeholders. Cambium Learning's competitive edge centers on our personalized, adaptive, scalable, technology-based solutions that are proven to achieve results in the classroom and can change the trajectory of students' lives. We are executing well to deliver a strong year and we are reaffirming our outlook."

Management's outlook for company-wide 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, is unchanged. 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 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 to generate enough cash during the year from normal operations that would enable it to be substantially debt free by the end of 2018. The Company will assess the impact of expected cash expenditures on the strategic alternatives process and the VKidz acquisition as the year progresses.

## **REVIEW OF STRATEGIC ALTERNATIVES**

The Company announced today that it has initiated a 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 engaged Macquarie Capital as financial advisor and Lowenstein Sandler LLP as legal advisor to assist in its review.

Mr. Campbell stated, "We remain confident in our ability to execute on our strategic plan and in the significant growth opportunities available to us. At the same time, management and our Board believe it is in the best interest of shareholders to conduct a thorough evaluation of strategic opportunities that could accelerate value recognition or unlock additional value."

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.

## **VKIDZ TRANSACTION**

Cambium Learning Group today announced 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. The Company believes VKidz is an exceptional fit with its current operations, it will provide attractive cross selling opportunities, and it will expand Cambium's total addressable market. The acquisition is another step in Cambium's strategy of being the leading provider of state of the art digital subscription solutions that make a difference in the lives of students.

Under the terms of the agreement, the purchase price will include issuance of 6.7 million shares of Cambium Learning Group common stock to the sellers, plus payment of outstanding debt of VKidz on the consummation date of the transaction. In 2017, VKidz had Bookings of approximately \$21.1 million and Cash Income of approximately \$5.7 million. At March 31, 2018, VKidz had debt principal outstanding of \$20.2 million and cash of \$1.3 million. The Company expects the acquisition to be immediately accretive.

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.

VKidz is currently owned by founder John Edelson and a fund managed by Veronis Suhler Stevenson, which owns a majority of the equity interests of VSS-Cambium Holdings III, LLC, which holds approximately 69% of the Company's outstanding stock. Therefore, the Company's Board of Directors formed a special committee of independent and disinterested directors to analyze and negotiate the transaction on behalf of the Company and deliver a recommendation to the Company's Board of Directors with respect to the transaction. The Company's special committee was advised by Needham & Company, LLC as financial advisor and Paul Hastings LLP as legal advisor.

Mr. Campbell concluded, "These are exciting times for Cambium Learning Group. We have just completed a five-year journey that changed the nature of our company from providing quality ink and paper educational solutions to one that primarily provides quality digital educational solutions. We continue to strive to serve our students and teachers with best of breed

solutions as evidenced by our many awards. We have been able to assemble an excellent group of employees that propels us to be a leader in the K-12 market. All of this has culminated in giving us the opportunity to purchase VKidz and consider strategic alternatives so that we are in the best possible position to continue our long-term growth."

#### **Conference Call**

Cambium Learning Group's management team will conduct a conference call at 9 a.m. EDT today (May 14, 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](http://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 #7690846.

A replay will be available by dialing 855.859.2056 or 404.537.3406, passcode #7690846, until May 15, 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](http://www.cambiumlearning.com).*

#### **Media and Investor Contact:**

Barbara Benson  
Cambium Learning Group, Inc.  
[investorrelations@cambiumlearning.com](mailto:investorrelations@cambiumlearning.com)

LHA  
Jody Burfening/Carolyn Capaccio  
212.838.3777  
[ccapaccio@lhai.com](mailto:ccapaccio@lhai.com)

**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 March 31,	
	2018	2017
Net revenues	\$ 36,607	\$ 35,970
Cost of revenues:		
Cost of revenues	6,063	6,185
Amortization expense	3,904	4,090
Total cost of revenues	9,967	10,275
Research and development expense	3,726	3,098
Sales and marketing expense	12,803	12,910
General and administrative expense	5,281	4,883
Shipping and handling costs	121	118
Depreciation and amortization expense	717	681
Total costs and expenses	32,615	31,965
Income before interest and income taxes	3,992	4,005
Net interest expense	(830)	(1,227)
Other income (expense), net	(103)	(108)
Income before income taxes	3,059	2,670
Income tax expense	(452)	(140)
Net income	\$ 2,607	\$ 2,530
Net income per common share:		
Basic	\$ 0.06	\$ 0.05
Diluted	\$ 0.05	\$ 0.05
Average number of common shares and equivalents outstanding:		
Basic	46,898	46,203
Diluted	48,067	47,439

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

	March 31, 2018	December 31, 2017
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,450	\$ 8,493
Accounts receivable, net	7,419	12,937
Inventory	1,993	2,382
Restricted assets, current	961	961
Other current assets	10,567	11,193
Total current assets	25,390	35,966
Property, equipment and software at cost	62,675	65,250
Accumulated depreciation and amortization	(41,043)	(43,164)
Property, equipment and software, net	21,632	22,086
Goodwill	43,518	43,518
Other intangible assets, net	3,357	3,607
Pre-publication costs, net	17,845	17,758
Restricted assets, less current portion	1,046	1,293
Deferred tax assets	30,602	30,614
Other assets	3,515	3,712
Total assets	\$ 146,905	\$ 158,554
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$ 1,841	\$ 2,388
Accrued expenses	9,306	12,121
Revolving credit facility	7,000	—
Current portion of long-term debt	6,294	5,958
Deferred revenue, current	71,354	86,913
Total current liabilities	95,795	107,380
Long-term liabilities:		
Long-term debt	40,170	41,841
Deferred revenue, less current portion	13,064	13,995
Other liabilities	9,433	9,630
Total long-term liabilities	62,667	65,466
Stockholders' equity (deficit):		
Preferred stock (\$.001 par value, 15,000 shares authorized, zero shares issued and outstanding at March 31, 2018 and December 31, 2017)	—	—
Common stock (\$.001 par value, 150,000 shares authorized, 53,613 and 53,333 shares issued, and 47,080 and 46,800 shares outstanding at March 31, 2018 and December 31, 2017, respectively)	54	53
Capital surplus	289,864	289,022
Accumulated deficit	(286,634)	(288,490)
Treasury stock at cost (6,532 shares at March 31, 2018 and December 31, 2017)	(12,784)	(12,784)
Accumulated other comprehensive loss:		
Pension and postretirement plans	(2,057)	(2,093)
Accumulated other comprehensive loss	(2,057)	(2,093)
Total stockholders' equity (deficit)	(11,557)	(14,292)
Total liabilities and stockholders' equity (deficit)	\$ 146,905	\$ 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 March 31,	
	2018	2017
Net income	\$ 2,607	\$ 2,530
Reconciling items between net income and EBITDA:		
Depreciation and amortization expense	4,621	4,771
Net interest expense	830	1,227
Income tax expense	452	140
Income from operations before interest, income taxes, and depreciation and amortization (EBITDA)	8,510	8,668
Non-operational or non-cash costs included in EBITDA but excluded from Adjusted EBITDA:		
Merger, acquisition and disposition activities	122	127
Stock-based compensation and expense	227	200
Adjusted EBITDA	8,859	8,995
Change in deferred revenues	(16,914)	(16,843)
Change in deferred costs	1,457	1,563
Capital expenditures	(4,008)	(4,532)
Cash income	\$ (10,606)	\$ (10,817)

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

<i>(in thousands)</i>	Three Months Ended March 31, 2018			
	Learning A-Z	ExploreLearning	Voyager Sopris Learning	Consolidated
Bookings	\$ 9,599	\$ 3,173	\$ 7,081	\$ 19,853
Change in deferred revenues	9,537	4,347	3,030	16,914
Other	—	(16)	(144)	(160)
Net revenues	\$ 19,136	\$ 7,504	\$ 9,967	\$ 36,607

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

**Three Months Ended March 31, 2018**

<i>(in thousands)</i>	<b>Learning A-Z</b>	<b>Explore Learning</b>	<b>Voyager Sopris Learning</b>	<b>Other</b>	<b>Consolidated</b>
Net income	\$ 8,889	\$ 2,571	\$ 853	\$ (9,706)	\$ 2,607
Reconciling items between net income and EBITDA:					
Depreciation and amortization expense	—	—	—	4,621	4,621
Net interest expense	—	—	—	830	830
Income tax expense	—	—	—	452	452
Income from operations before interest, income taxes, and depreciation and amortization (EBITDA)	8,889	2,571	853	(3,803)	8,510
Non-operational or non-cash costs included in EBITDA but excluded from Adjusted EBITDA:					
Merger, acquisition and disposition activities	—	—	—	122	122
Stock-based compensation and expense	57	45	59	66	227
Adjusted EBITDA	8,946	2,616	912	(3,615)	8,859
Change in deferred revenues	(9,537)	(4,347)	(3,030)	—	(16,914)
Change in deferred costs	695	375	387	—	1,457
Capital expenditures - product development	(1,868)	(1,019)	(647)	—	(3,534)
Capital expenditures - general expenditures	(258)	(96)	(106)	(14)	(474)
Cash income	\$ (2,022)	\$ (2,471)	\$ (2,484)	\$ (3,629)	\$ (10,606)

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

**March 31, 2018**

<i>(in thousands)</i>	<b>Learning A-Z</b>	<b>Explore Learning</b>	<b>Voyager Sopris Learning</b>	<b>Consolidated</b>
Deferred revenue, current	\$ 43,203	\$ 15,590	\$ 12,561	\$ 71,354
Deferred revenue, less current portion	6,333	2,635	4,096	13,064
Deferred revenue	\$ 49,536	\$ 18,225	\$ 16,657	\$ 84,418

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

**March 31, 2018**

<i>(in thousands)</i>	<b>Learning A-Z</b>	<b>Explore Learning</b>	<b>Voyager Sopris Learning</b>	<b>Consolidated</b>
Deferred costs, current	\$ 3,999	\$ 1,438	\$ 1,902	\$ 7,339
Deferred costs, less current portion	589	243	809	1,641
Deferred costs	\$ 4,588	\$ 1,681	\$ 2,711	\$ 8,980

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

Three Months Ended March 31, 2017

<i>(in thousands)</i>	Learning A-Z	ExploreLearning	Voyager Sopris Learning	Consolidated
Bookings	\$ 9,899	\$ 2,876	\$ 6,337	\$ 19,112
Change in deferred revenues	8,285	3,981	4,577	16,843
Other	1	(79)	93	15
Net revenues	<u>\$ 18,185</u>	<u>\$ 6,778</u>	<u>\$ 11,007</u>	<u>\$ 35,970</u>

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

Three Months Ended March 31, 2017

<i>(in thousands)</i>	Learning A-Z	Explore Learning	Voyager Sopris Learning	Other	Consolidated
Net income	\$ 8,868	\$ 2,676	\$ 635	\$ (9,649)	\$ 2,530
Reconciling items between net income and EBITDA:					
Depreciation and amortization expense	—	—	—	4,771	4,771
Net interest expense	—	—	—	1,227	1,227
Income tax expense	—	—	—	140	140
Income from operations before interest, income taxes, and depreciation and amortization (EBITDA)	8,868	2,676	635	(3,511)	8,668
Non-operational or non-cash costs included in EBITDA but excluded from Adjusted EBITDA:					
Merger, acquisition and disposition activities	—	—	—	127	127
Stock-based compensation and expense	47	24	70	59	200
Adjusted EBITDA	8,915	2,700	705	(3,325)	8,995
Change in deferred revenues	(8,285)	(3,981)	(4,577)	—	(16,843)
Change in deferred costs	615	389	559	—	1,563
Capital expenditures - product development	(1,929)	(760)	(1,493)	—	(4,182)
Capital expenditures - general expenditures	(173)	(90)	(70)	(17)	(350)
Cash income	<u>\$ (857)</u>	<u>\$ (1,742)</u>	<u>\$ (4,876)</u>	<u>\$ (3,342)</u>	<u>\$ (10,817)</u>



**Cambium Learning Group, Inc.**

**First Quarter 2018 Earnings Conference Call**

**May 14, 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 & 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, Inc. Q1 2018 Earnings conference Call. At this time, all participants are in a listen-only mode. 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, General Counsel and Corporate Secretary of Cambium Learning Group. Sir, you may begin.

### **Scott McWhorter:**

Thank you, and welcome, everyone, to Cambium Learning Group's First Quarter 2018 Earnings Conference Call. I am Scott McWhorter, Cambium's General Counsel. With me today are John Campbell, Cambium's Learning 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, as announced in our press release this morning, Cambium Learning Group has initiated a 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 time table for completion of its review of strategic alternatives 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 or until its Board of Directors has approved a specific transaction or otherwise determined that further disclosure is appropriate. As such Management will not comment on this process in today's prepared remarks and as noted in the first quarter 2018 press release we issued this morning we not conduct a question-and-answer session today.

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

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**John Campbell:**

Thanks, Scott. Good morning, everyone, and thank you for joining us today. I want to thank you for your flexibility with respect to rescheduling of this call from Friday and hope it was not too much of an inconvenience as my voice is much better today.

I will begin by discussing our first quarter performance by segment and then turn it over to Barbara who will walk you through the financials. I will then come back and give you an overview of the VKidz acquisition that we announced today.

Cambium Learning Group is off to a solid start to the year delivering growth in Bookings, revenue and Cash Income compared to last year. While the first quarter of any year is not an indicator of full year performance, as it is low volume compared to the important back to school selling season, we are executing well on building our full year sales pipeline and our strategic development marketing and sales initiatives and are reaffirming our 2018 outlook.

Let's look at our segment's performance. First quarter Bookings for Learning A-Z, the standard bearer of our Digital Solutions strategy, decreased slightly compared to prior year first quarter, a result of the timing of orders. We expect another year of strong growth at Learning A-Z, as demand for Digital Solutions in school districts both in the U.S. and internationally remains strong and as the solutions that we provide have proven to drive student's success.

From a development standpoint our focus remains on making continuous enhancements to our product suite, including new content and ongoing functionality enhancements to empower teachers and make personalized learning easier. Learning A-Z's stellar literacy focused SaaS Solutions are well positioned competitively, particularly with the IMS global conformance certification on the OneRoster V1.0 and V1.1 CSV standards we achieved in the first quarter, and we expect these higher margin Bookings and revenue to continue to grow and contribute meaningfully to our profitability and cash flow.

Our ExploreLearning segment grew first quarter Bookings 10% continuing the strong momentum we have seen in this segment over the past couple of years. On the development side at ExploreLearning, our focus this year is to continue to add to our Gizmos library and to integrate the talented Cogent team who joined us as part of the IS3D acquisition and integrate the Cogent immersive cases into our STEM offerings. We're also continuing our work on the new fractions product that is slated for release in 2019. We continue to expect full year 2018 Bookings growth at ExploreLearning as we reach more students who aim for success in math and science.

At Voyager Sopris Learning, first quarter Bookings increase 12% with solid growth in Language! Live, the segment's digital flagship and high efficacy adolescent intervention solution. We also experienced some positive timing tailwinds for Legacy Print and Transactional Solutions, especially the summer product. 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 enhancement and new capabilities every month while maintaining capital expenditures below last year's levels in order to maximize profitability.

The ComputED Gazette recently honored Cambium with 10 Best Educational Software Awards, known as BESSIE Awards, more than any other contender, with eight for Learning A-Z and two for ExploreLearning. This is the fourth consecutive year that Cambium Learning has earned multiple awards which is critically important as a digital solution must re-earn its place every year. In addition, to teachers confirming that our solutions work in the classroom, these awards provide additional industry affirmation of our high quality learning technologies.



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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 morning, everyone. To frame the quarter, as John mentioned, our business is highly seasonal and the first quarter is our smallest. Q1 was 12% of full-year Bookings last year 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 quarter results should not be considered necessarily indicative of full year results or trending. With that said let's walk through the Q1 numbers, starting with Bookings.

Company-wide Bookings for the first quarter of 2018 grew 4% to \$19.9 million, with Learning A-Z Bookings of \$9.6 million which was down slightly from prior year first quarter by \$0.3 million. We expect this is purely a result of timing as we continue to forecast strong full year growth. ExploreLearning grew 10% to \$3.2 million continuing its strong momentum and Voyager Sopris Learning grew 12% to \$7.1 million, on favorable timing of larger orders including summer school.

GAAP net revenues for first quarter 2018 grew \$0.6 million or 2% to \$36.6 million. A large portion of GAAP revenues for the first quarter represent the revenue recognition tail of prior year Bookings. Adjusted EBITDA for the first quarter of 2018 was \$8.9 million. Cost and expenses excluding depreciation and amortization were up around 3% quarter-over-quarter with planned investment 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 at Voyager Sopris Learning late last year. The higher pace of investments slightly exceeded the GAAP revenue growth and Adjusted EBITDA was down \$0.1 million for the first quarter compared to last year.

Capital expenditures were \$4 million in first quarter 2018, lower than first quarter 2017 by approximately \$0.5 million. With the decline driven by planned savings at the Voyager Sopris Learning segment and a slow ramp up of capital expenditures at the other segments. We continue to expect full year 2018 cap ex to be roughly consistent with 2017.

Cash Income was a \$10.6 million loss for the first quarter of 2018. Slightly better than the \$10.8 million Cash Income loss for the first quarter of 2017 with overall Bookings growth mostly offset by planned investments in our growing product lines. It is normal for us to operate with a Cash Income loss in the first quarter due to seasonality.

Net income was up slightly, \$2.6 million in Q1 2018 compared to \$2.5 million in Q1 2017. Interest expense was \$0.8 million in Q1 2018 compared to \$1.2 million in Q1 2017, lower as a result of the ongoing reductions in debt from scheduled and voluntary principal payments made in 2017. As we discussed on last quarter's call, we released most of the valuation allowance that was recorded on our deferred tax assets, including our NOL's, at the end of 2017. Because of this we expect to have a more normal tax expense effective rate in 2018. We did in fact have a higher tax expense effective rate in first quarter 2018 but it was tempered by tax benefits related to stock option exercises by employees in the first quarter. As a result Q1 2018 had a 15% tax expense effective rate. On last quarter's call I had estimated we would have a full year tax expense effective rate between 24% and 27% and this is still the case although I think we'll be at the lower end of the range given first quarter.

Moving to the balance sheet, cash and cash equivalents at March 31 were \$4.5 million. During the first quarter of 2018 we paid \$1.4 million of scheduled amortization payments and ended the quarter with \$47.1 million outstanding on our term loan. In line with our historical seasonal pattern, we expect to use cash in the first half of the year and generate cash in the third and fourth quarters and our revolving credit facility

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helps us manage this seasonal cash pattern. We borrowed \$7 million on the revolver in the first quarter of 2018 and we have borrowed an additional \$2 million to date in the second quarter.

Cash used in operations was \$6.2 million in Q1 2018 compared to \$5 million in Q1 2017 with the quarter over quarter comparison impacted by the return of cash in prior year Q1 of \$0.7 million from a certificate of deposit that was collateralizing a letter of credit and other working capital timing differences.

In summary, the results for first quarter 2018 were solid and tee us up nicely to deliver on our full year 2018 outlook which has not changed from the outlook we provided on the year end call, and includes: company-wide Bookings growth at a higher percentage than what we saw in 2017, driven by continued strong growth at the Learning A-Z and ExploreLearning segments and Voyager Sopris Learning's Language! Live solution; 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 million. We also stated on our year end call that absent another use of cash during the year we expect to be substantially debt free by the end of 2018. Our operational outlook hasn't changed and we continue to expect to generate enough cash during the year that would enable us to be substantially debt free. Clearly the acquisition of VKidz and our review of strategic alternatives represent other uses of cash and we will assess and quantify as the year progresses.

With that I will turn the call back to John.

**John Campbell:**

Thank, Barbara. Let's move on to discuss the VKidz transaction. Today, we announced a definitive agreement to acquire VKidz, a Florida-based edtech company that serves both school systems and home schooling families with innovative research based educational products all delivered digitally. VKidz offers Cambium Learning an exceptional strategic fit.

First, it puts us squarely in the homeschooling market which is estimated to be an over \$1.3 billion market that is growing every year. Founder John Edelson has built a premium marketing capability and a targeted delivery platform for homeschoolers, creating a strong competitive position in this market. In addition to gaining the excellent Time4Learning, home school curriculum, the acquisition also offers us another strong cross selling opportunity for several of Cambium's solutions.

Second, VKidz brings three great institutional focused SaaS solutions that we believe will benefit immediately from Cambium's mature marketing and sales infrastructure both domestically and internationally. VocabularySpellingCity is a game based suite of study tools that develops strong vocabulary skills for students in grades 3-5 and that offers best practices for effective vocabulary instruction that save teachers time through automation. Last year, VKidz acquired WritingCity, a complete elementary writing program with detailed lesson plans based on the writer's workshop approach. Science4Us, is our high efficacy complete standards based core science curriculum that delivers digital and real world science experiences using the five E's: engage, explore, explain, elaborate and evaluate to K-2 students and allows busy teachers to deliver an exemplary science educational experience.

The transaction is also a strong fit both financially and with our digital strategy. It is a 100% SaaS company, supporting our strategy of being the leading provider of state of the art digital subscription solutions. VKidz has historically had strong double digit top line growth and strong margins and we expect it to be immediately accretive. Total consideration includes the issuance of 6.7 million shares of Cambium Learning Group common stock to the sellers, plus payment of outstanding VKidz debt at the time we close the transaction. We expect the transaction to be consummated after completion of our Board of Directors' review of strategic alternatives.

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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 student's lives. We are executing well heading in to the back to school season this year and are reaffirming our 2018 outlook today. We expect top line growth, careful expense management, and continued investments in development, marketing and sales to drive incremental expansion in our Cash Income, Adjusted EBITDA and cash flow. We have built Cambium Learning into a leader in the K-12 digital solutions space and are making investments today both in terms of SaaS solution development, marketing and sales, and in terms of the accretive VKidz acquisition, that are designed to drive growth and create a more profitable and cash flow generative business model 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.

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

**Operator:**

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