

**Houghton Mifflin Harcourt Company**  
**Consolidated Balance Sheets (Unaudited)**

<i>(in thousands of dollars, except share information)</i>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 170,901	\$ 281,200
Accounts receivable, net	92,477	88,830
Inventories	175,790	145,553
Prepaid expenses and other assets	25,105	19,276
Assets held for sale	140,971	160,053
Total current assets	605,244	694,912
Property, plant, and equipment, net	86,248	88,801
Pre-publication costs, net	191,232	202,820
Royalty advances to authors, net	2,064	2,425
Goodwill	437,977	437,977
Other intangible assets, net	391,412	402,484
Operating lease assets	123,565	126,850
Deferred income taxes	2,415	2,415
Deferred commissions	30,319	30,659
Other assets	29,991	31,783
Total assets	<u>\$ 1,900,467</u>	<u>\$ 2,021,126</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Current portion of long-term debt	\$ 19,000	\$ 19,000
Accounts payable	47,336	38,751
Royalties payable	21,503	34,765
Salaries, wages, and commissions payable	14,460	21,723
Deferred revenue	320,988	342,605
Interest payable	4,136	11,017
Severance and other charges	11,434	19,590
Accrued pension benefits	1,593	1,593
Accrued postretirement benefits	1,555	1,555
Operating lease liabilities	9,948	9,669
Other liabilities	23,468	22,912
Liabilities held for sale	32,505	30,662
Total current liabilities	507,926	553,842
Long-term debt, net of discount and issuance costs	621,319	624,692
Operating lease liabilities	129,269	132,014
Long-term deferred revenue	542,065	562,679
Accrued pension benefits	17,240	24,061
Accrued postretirement benefits	15,605	16,566
Deferred income taxes	18,503	16,411
Other liabilities	152	398
Total liabilities	1,852,079	1,930,663
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at March 31, 2021 and December 31, 2020	—	—
Common stock, \$0.01 par value: 380,000,000 shares authorized; 151,987,387 and 150,459,034 shares issued at March 31, 2021 and December 31, 2020, respectively; 127,410,353 and 125,882,000 shares outstanding at March 31, 2021 and December 31, 2020, respectively	1,520	1,505
Treasury stock, 24,577,034 shares as of March 31, 2021 and December 31, 2020, respectively, at cost	(518,030)	(518,030)
Capital in excess of par value	4,921,845	4,918,542
Accumulated deficit	(4,307,813)	(4,255,830)
Accumulated other comprehensive loss	(49,134)	(55,724)
Total stockholders' equity	48,388	90,463
Total liabilities and stockholders' equity	<u>\$ 1,900,467</u>	<u>\$ 2,021,126</u>

**Houghton Mifflin Harcourt Company**  
**Consolidated Statements of Operations (Unaudited)**

	Three Months Ended March 31,	
<i>(in thousands of dollars, except share and per share data)</i>	2021	2020
<b>Net sales</b>	\$ 146,195	\$ 151,843
<b>Costs and expenses</b>		
Cost of sales, excluding publishing rights and pre-publication amortization	58,137	63,652
Publishing rights amortization	3,166	4,432
Pre-publication amortization	25,051	30,562
Cost of sales	86,354	98,646
Selling and administrative	89,235	123,341
Other intangible assets amortization	7,906	5,856
Impairment charge for goodwill	—	262,000
Operating loss	(37,300)	(338,000)
<b>Other income (expense)</b>		
Retirement benefits non-service (expense) income	(200)	61
Interest expense	(8,564)	(9,253)
Interest income	20	766
Change in fair value of derivative instruments	(674)	(380)
Loss from continuing operations before taxes	(46,718)	(346,806)
Income tax expense (benefit) for continuing operations	2,310	(8,780)
Loss from continuing operations	(49,028)	(338,026)
Loss from discontinued operations, net of tax	(2,955)	(7,947)
Net loss	\$ (51,983)	\$ (345,973)
Net loss per share attributable to common stockholders		
Basic and diluted		
Continuing operations	\$ (0.39)	\$ (2.71)
Discontinued operations	(0.02)	(0.06)
Net loss	\$ (0.41)	\$ (2.77)
Weighted average shares outstanding		
Basic and diluted	126,473,317	124,688,974

**Houghton Mifflin Harcourt Company**  
**Consolidated Statements of Cash Flows (Unaudited)**

(in thousands of dollars)	Three Months Ended March 31,	
	2021	2020
<b>Cash flows from operating activities</b>		
Net loss	\$ (51,983)	\$ (345,973)
Adjustments to reconcile net loss to net cash used in operating activities		
Loss from discontinued operations, net of tax	2,955	7,947
Depreciation and amortization expense	47,818	53,033
Amortization of operating lease assets	3,285	3,632
Amortization of debt discount and deferred financing costs	660	646
Deferred income taxes	2,085	(9,128)
Stock-based compensation expense	2,607	3,268
Impairment charge for goodwill	—	262,000
Change in fair value of derivative instruments	674	380
Changes in operating assets and liabilities		
Accounts receivable	(3,647)	29,057
Inventories	(30,238)	(51,580)
Other assets	(3,851)	(335)
Accounts payable and accrued expenses	3,322	(19,878)
Royalties payable and author advances, net	(12,924)	(34,816)
Deferred revenue	(42,231)	(59,529)
Interest payable	(6,881)	(12)
Severance and other charges	(8,156)	(5,320)
Accrued pension and postretirement benefits	(855)	(1,108)
Operating lease liabilities	(2,466)	(3,304)
Other liabilities	(720)	(948)
Net cash used in operating activities - continuing operations	(100,546)	(171,968)
Net cash provided by operating activities - discontinued operations	19,290	15,201
Net cash used in operating activities	(81,256)	(156,767)
<b>Cash flows from investing activities</b>		
Additions to pre-publication costs	(14,354)	(18,489)
Additions to property, plant, and equipment	(9,949)	(11,875)
Net cash used in investing activities - continuing operations	(24,303)	(30,364)
Net cash used in investing activities - discontinued operations	(400)	(262)
Net cash used in investing activities	(24,703)	(30,626)
<b>Cash flows from financing activities</b>		
Borrowings under revolving credit facility	—	150,000
Payments of long-term debt	(4,750)	(4,750)
Tax withholding payments related to net share settlements of restricted stock units	—	(48)
Issuance of common stock under employee stock purchase plan	410	503
Net cash used in financing activities	(4,340)	145,705
Net increase (decrease) in cash and cash equivalents	(110,299)	(41,688)
Cash and cash equivalents at the beginning of the period	281,200	296,353
Cash and cash equivalents at the end of the period	<u>\$ 170,901</u>	<u>\$ 254,665</u>

**Houghton Mifflin Harcourt Company**  
**Non-GAAP Reconciliations (Unaudited)**

**Adjusted EBITDA <sup>1</sup>**

*(in thousands of dollars)*

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Net loss from continuing operations	\$ (49,028)	\$ (338,026)
Interest expense	8,564	9,253
Interest income	(20)	(766)
Provision (benefit) for income taxes	2,310	(8,780)
Depreciation expense	11,695	12,183
Amortization expense	36,123	40,850
Non-cash charges – goodwill impairment	—	262,000
Non-cash charges – stock compensation	2,607	3,268
Non-cash charges – loss on derivative instruments	674	380
Fees, expenses or charges for equity offerings, debt or acquisitions/dispositions	1,826	27
Adjusted EBITDA from continuing operations	<u>\$ 14,751</u>	<u>\$ (19,611)</u>

**Free Cash Flow <sup>1</sup>**

*(in thousands of dollars)*

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Net cash used in operating activities	\$ (100,546)	\$ (171,968)
<b>Cash flows from investing activities</b>		
Additions to pre-publication costs	(14,354)	(18,489)
Additions to property, plant, and equipment	(9,949)	(11,875)
Free Cash Flow	<u>\$ (124,849)</u>	<u>\$ (202,332)</u>

- 1 All amounts have been adjusted to eliminate the impact of the HMH Books & Media business which has been removed from continuing operations and classified as discontinued operations.

**Houghton Mifflin Harcourt Company**  
**Calculation of Billings (Unaudited)**

**Billings <sup>1</sup>**

*(in thousands of dollars)*

	Three Months Ended March 31,	
	2021	2020
Net sales	\$ 146,195	\$ 151,843
Change in deferred revenue	(42,231)	(58,529)
Billings	<u>\$ 103,964</u>	<u>\$ 93,314</u>

Billings is an operating measure utilized by the Company derived as shown above.

- 1 All amounts have been adjusted to eliminate the impact of the HMH Books & Media business which has been removed from continuing operations and classified as discontinued operations.