

McGraw Hill Education

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Ryan MacDonald: Hello, everyone. Welcome to this next session on the final day of the 28th Annual Needham Growth Conference. I'm Ryan MacDonald, and I lead Needham's education technology research efforts here at the firm. And in this session, I'm pleased to be joined by McGraw Hill's CEO and Chairman, Simon Allen; and Chief Digital Information Officer, Dave Cortese.

Simon. Dave, thanks for joining me today, and I look forward to a really great conversation.

Simon Allen: It's a pleasure, Ryan. It's lovely to see you again, and we're looking forward to it as well. And, Dave, this should be fun for us, I think.

David Cortese: I'm excited. Thanks for having us, Ryan. Look forward to it.

Ryan MacDonald: Excellent. Well, just some housekeeping to start. So for those of you who are listening in, we've got about 35 minutes for the session. We're going to run through a number of topics, but if you do have questions, please put them in the chat box. I'll be able to see it, and we can get those asked and answered if there's some time at the end.

But with that, Simon, we've got a lot to discuss, so why don't we jump right into it and maybe – to start many people likely have heard of McGraw Hill and have an idea of what the business is from their childhood, but definitely undersells the business and how – what it's become today. So, Simon, how about we start with a brief overview of the business and how it's evolved over the past several years?

Simon Allen: That's a great way to ask the question, Ryan, and thank you. And you're absolutely right. One of my favorite parts of doing the road show and the hundreds of testing the water meetings that we did before that, when we first got to know you, Ryan, is looking at individual spaces. When we finished our spiel about the company, and we go through the way the company has transformed and changed, and then I ask a question at the end and I say, so do we feel different to you than you expected? And 100% of the time I get nodding heads saying, yeah, absolutely, you are not what we expected McGraw Hill is now.

And that's worth pausing on, because the way we've transformed our business to being now an education solutions company, the vast majority of our business is digitally delivered, in higher ed for example, it's into the 90s percentile. We look at the way we have recurring revenue now at over 60%, getting on for two thirds of our business, and therefore, it makes our business much more predictable.

We serve customers with what we refer to as solutions and courseware. We no longer think about textbooks, but what's important, Ryan, is the legacy of the business that we

have because we're very proud of the 137 odd years' history because when you think about all of the incredible content, the intellectual property that we've gleaned and nurtured over that time, that's the core of our moat. And then you add to that the wonderful platforms that we have now, the fact that we've digitized everything through various LMS, is based upon the individual markets we serve.

Those two moats are very powerful. And then, of course, I would say that our people are very, very, very effective and we've got average 10 years in many cases well beyond industry averages. In Dave's case, our software engineers have been around over eight years, our sales staff well over eight years and we've got that length of real service and knowledge. It's very powerful. So you think about our company now as digitally driven, wonderful content, superb, really innovative and intuitive platforms that drive materials for courses across every subject, K-12, higher education and professional. We're in a wonderful zone for our business right now.

Ryan MacDonald:

That's great to hear. Now David, Simon just touched on it a little bit that it's really a digitally driven business. So obviously it's been – the digital transformation has really helped evolve this company into a tech company over time. Can you talk about as Chief Digital Information Officer, your efforts in the past two year – two years you've been in the role, what are the strengths and points of differentiation of McGraw's technology and infrastructure?

David Cortese:

Yeah, and that digital transformation has happened very quickly, while – what Simon mentioned, we've been around 137, 138 years, so much of that has happened just in the last, let's call it, 10 to 20 years. And I like this question because making that successful digital shift like McGraw Hill has begins with ensuring that you've done the hard foundational work first. And that work for us, the work we've done there includes a complete move to the cloud for the learning – digital learning solutions Simon mentioned, consolidating cloud partnerships which in turn makes everything more consistent, less fragmentation and how we support that infrastructure.

And we have this continuous push to more cloud native infrastructure for flexibility, for resiliency, for performance. And the good news for us is that most of that heavy lifting we've done. So our time now is spent more on refining and optimizing infrastructure to scale for growth versus being bogged down in legacy projects like moving out of data centers that works behind us. So a part of that work is also ensuring that we thoughtfully architected things along the way in our platforms for data capture, right. Data serving as jet fuel now for certainly all the work we're doing now in AI. And one of the many ways that this work continues to pay dividends is that that consistency that we put into our infrastructure and into that cloud architecture, we've carried all the way up the tech stack to how we build products.

So you can really move mountains when you standardize on your software tooling, on your methodologies the organization is leveraging and doing this has empowered us to experiment more, to get releases out faster and of course, most importantly, launching new products and innovation into the market at a cadence that we've never been able to do before.

Ryan MacDonald:

Yeah, that's excellent. I'm looking forward to talking a little bit more in this conversation about some of those innovative products. But before we dive into that, I want to start with the recent news, Simon, that you're going to be retiring from the President and CEO role and that Philip Moyer is going to be starting as the new CEO in February.

Can you just walk us through sort of the rationale, why now is the right time for this

transition? And what made Philip the right choice for the job, as you were sort of evaluating potential successors?

Simon Allen:

Yeah, it's a great question. Thank you for raising it. And you and I were talking, Ryan, a bit before we started about the joys of grand fatherhood. And I fessed up that I just had my third grandchild a few weeks back and a fourth is on the way in May and my wife has – Well, there are two individuals I have to listen to most carefully; One is Danielle Kloebler, whom you know very well, our SVP of IR; the other one is my lovely wife of 40 years. So the time was coming and Ryan and I think the onset of grandchildren really well, there were two things that might happen that.

But then when I met Philip Moyer, and it's great news for our company, he is going to be a fantastic CEO. He brings a skill set to the company that really none of us have. From a combination of an incredible tech background, he has got many years at Google, at AWS and Microsoft, certainly in the early years. More recently, he was CEO of a public company, Vimeo. He's obviously got that experience. But what we really liked about Philip, there are many things. And when I first met him, we then introduced him to Platinum, and we went through the process and we're delighted he's beginning with us on February 9.

And he began in his early career, what he and I started to talk about was his creation of an individualized education platform called IEP+ for special needs K-12 schools. And really understanding, very early in his career, founded it with a friend to create a program to really make much more efficient the organization and the reporting that you must do to for special needs students. And he's had a passion for education ever since then. I mean, he also began his career, let's face it, creating code, doing coding. He's a software engineer for nuclear submarines. And I began my career teaching English in Spain.

So there's quite a difference there. But then you come together over a career. And what he is so excited now is the chance, let's be honest, to really drive some tremendous growth, legacy growth for him, for McGraw Hill over the coming years. And he will give us a level of expertise in AI, having worked so carefully at the institutional level with AI. He will give us a level of knowledge, frankly, that we need, and it's going to help us grow further and further our business. And he sees it very much as a continuation of our strategy. He is very proud to join us because of the brand and just who we are and how important education is to society around the world.

So you'll meet Philip in a few weeks, and I can't wait to see what you think of him when you do.

Ryan MacDonald:

Yeah. Well, I'm looking forward to meet him and he's going to have obviously, a great guide and you as sitting on as the Chairman of the Board. So...

Simon Allen:

Thank you. Yes, I should have added that. I will. They can't get rid of me that easily. I'm telling you what, Ryan. So I'm here as Chair, looking forward to that. And I think we do say it's sort of one plus one equals three, because we feel that with me helping him make sure he makes only the best decisions, and I got a wonderful leadership team that will also ensure that he understands the nuance and the joys of our business very quickly. It's going to be a great combination.

Ryan MacDonald:

That's great to hear, excellent. All right, so now we've gotten that out of the way, I want to talk about some of the innovation going on in the business and broadly in the marketplace. And it's 2026, so we can't escape any conversation without discussing generative AI, of course.

So, obviously if we take a step back in how the markets have viewed sort of generative AI and education, ever since sort of the downfall of Chegg a bit, investors have assumed that all education technology companies are going to be disrupted by AI. Can you talk about, talk about why this isn't the case for McGraw Hill?

David Cortese: Yes. Simon...

Simon Allen: Do you want me to start and then pass over to you real quick? How's that? I mean, because when you mention other companies, the first thing to say, Ryan, is that we are a B2B2C company. So most of what you hear about the AI anxieties is coming from those companies that are more direct-to-consumer. That's not our business. We are very much focused on serving schools and school districts and higher education institutions and med schools. So when we think about AI, it's benefiting the institution through our ability to personalize learning and work with students directly. So it's important to remember that B2B2C relationship that we have. Dave, I interrupted you. My apologies. You go ahead, sir.

David Cortese: No, no, that's perfect lead-in. So I'll add to it if you don't mind. So look, I'll start by saying I think the types of businesses that are getting hit the hardest by GenAI often tend to be the ones that don't have any unique advantage when it comes to the data assets they have, in our case, content and data assets. And I wake up every day thankful that McGraw Hill is not one of those companies, as Simon said. So as the folks on this call know, you have to be able to feed the machine when it comes to AI, whether that's GenAI, whether that's machine learning. If you don't have the right assets, if you have the right assets, I should say, it can provide tremendous value for growth and operational efficiencies. I mean, you can eat out of both sides of the apple with this.

And our advantage in leveraging AI is we have, as Simon alluded to, this incredible base of trusted, vetted proprietary content that's been continuously developed for over a century. For the last decade plus, we've been collecting extensive, and here's the key word, first-party data from our learning solutions, right. These are billions of learning interactions from students and educators that we're capturing and we're making use of to make our products better, to leverage in those predictive machine learning models that we have deployed in our products. But the key here is, you have to have the assets, whether that be content or data. And we're just very fortunate at McGraw Hill to be flush with both.

But the key thing to remember is it's the combination of the content, the data, our proprietary technology, and the turbocharging that AI gives us that really makes us different from the rest of the players. Simon and I, we've been talking to audiences like this for, gosh, over a year now. And I'm happy to say there's been a shift in sentiment in that time. The initial shock and awe and uncertainty and unknown has now, I think, come into more focus, and folks are starting to recognize how tremendous a tailwind AI is going to be for our business.

Ryan MacDonald: And Dave, you kind of talk about it. You have the core assets and the data, the first-party data, the content, right? And you talk about being able to use AI to turbocharge that. Can you talk about some innovative ways that you're using generative AI internally at McGraw Hill to make your organization more efficient? And then how are you starting to weave it into products to help sort of achieve this sort of vision state of truly personalized learning for the student?

David Cortese: Yes, well, I just said the AI lets you eat out of both sides of the apple. So let me back that up. From an operational efficiency perspective, we've developed our own products

internally that have provided a lot of tremendous value on streamlining content creation, as one example. It shouldn't be a surprise to anybody on this call that we still develop a lot of content for our solutions. The product is called Scribe. And what we've been able to demonstrate is for particular content types, let's say you need questions at the end of a chapter with multiple choice selections. For a content type like that, we can reduce the time that it takes us to create that by nearly 60% and the cost by up to 50%. Now, we still have a human in the loop there, right?

So we have a subject matter expert at the end who validates the integrity of that output, ensure it meets our quality standards. But the key is that Scribe is getting us way down the value chain much faster in that overall content creation process. And if you were to look at what we invest in creating content and where Scribe is going to take us over time, it's early days, but we think over time there'll be some margin expansion opportunity there. Now, how is AI helping us drive growth? I'll give you a couple of examples. So we have an entire portfolio of supplemental products in our school business that are all rooted in machine learning. So this is taking a student's input in real time and then creating a customized learning journey based on assessing their strengths and weaknesses in their interactions. These products are revenue-generating, right?

So we sell these alongside the flagship learning solutions we have in school, in higher ed, in international. And the second thing is we've implemented a lot of new GenAI capabilities inside of the existing platforms, all geared towards personalized learning. So empowering that teacher or that student with guidance based on where they need support. We've talked a lot in the past about AI Reader. This is a capability we've integrated across multiple business units and multiple products at McGraw Hill, where we allow a student to highlight something that they might be struggling with, get alternative explanations to that quiz themselves.

Just a few months ago, in October, we launched Writing Assistant. This is a tool that provides guidance to students on the writing skills. You think how hard it is for a teacher in a class of 20, 25 students to provide feedback on writing across a class that size, right? So these are capabilities that we consider revenue enhancers. They're making our products better, more robust. They make those products more progressive, competitive, and we believe it'll manifest itself over time with higher NPS scores, higher retention rates and other metrics that will drive growth over time.

Ryan MacDonald:

Excellent. Let's shift into the business segments a little bit and we'll start in the K-12 arena. Now, this past year's K-12 buying opportunity was structurally smaller than the prior year. Can you talk about the dynamics at play here and what gives you confidence that in calendar year 2026 or your fiscal year 2027 that the buying opportunity in K-12 is going to be larger?

Simon Allen:

Yeah. And you're absolutely right, Ryan. The beauty of that business is that you can predict exactly what the market's going to be because of the way it's structured. And if you go back to FY2025, we had a phenomenal year. That was when Texas math and – excuse me, Texas Science and Florida Science were both up at the same year. And we had tremendous success taking significant share with both of those products.

2026 didn't have – fiscal 2026, which ends March 31 – didn't have that same sort of headline of the three big states that choose California, Texas and Florida, there were no major decisions made this year to that scale in any case. 2027 as you say, fiscal year 2027 is a different story. And this year right now we're looking very, very, very good actually. We look at California Math, Texas Math, we've got Florida ELA, we've got some big decisions coming up in the coming few months that will really indicate and illustrate the success of our FY2027.

The beauty of that cycle, Ryan, is that it's a published calendar with those particular large state adoption cycles. We know what we're working towards. It takes around three to four years gestation cycle to create wonderful product and that's what we've been doing. Hence the success that we enjoyed in the science list a couple of years ago, we take our very experienced academic designers, editorial teams, understanding exactly what the requirements are, the learning objects and standards required for each state, making sure that we then dovetail the content in with our technology, all of the assessment material that's so critical in these decisions. That's what gives us a lot of confidence for the year ahead.

And indeed, some of the early results, I'm not allow to talk about very much, as you can understand, but the early hints, whatever I can say are very encouraging and it's good for us as we look forward to a bigger TAM opportunity in FY2027.

Ryan MacDonald: Makes sense. And you talked about fiscal 2027 really, some of the three big buckets are Florida ELA, California Math, Texas Math. Florida ELA and California Math actually started to do some buying in fiscal 2026, if I'm not mistaken. Can you talk about what – how – what you've seen thus far out of those two buying opportunities informs your view for fiscal 2027 and those opportunities, and what gives you confidence in sort of the trajectory there?

Simon Allen: That's a good way to put it, because I can't tell you too much detail, as you know, until we report at the end of the year. But what informs us is the right way to phrase it. We're informed and encouraged by the early feedback that we're getting from our math products in Texas – excuse me, in California particularly and also actually in Texas. I think what we're most excited about Ryan is the opportunity in math where we've got such strength in our core.

We also have wonderful supplemental and intervention products. And I'm not sure if your audience are aware, but that's about 15% of our business. The core business is around 85%. But when we look at math, we look at the core products, then we imagine also working with ALEKS, which is our supplemental product to allow students to really further their skill set in a very personalized way. It's a wonderful platform works across K-12 now right from kindergarten level with ALEKS Adventure that Dave and team did a wonderful job creating ahead of schedule and under budget. Thank you, Dave.

And now when we think about ALEKS going right the way through K-12 and on into Higher Ed and then now on into Calculus, that gives us real strength coupled with McGraw Hill Plus, which as you know, is a wonderful longitudinal student record, the data that we hold that we blend from our core product through ALEKS, then creating huge amounts of data points for the teachers to recognize how their students are learning in a very personalized journey. Dave, do you want to talk a little bit about MH Plus and how excited we are with that math link in both California and Texas?

David Cortese: Yes. I would be happy to. So let me expand on what Simon said. So – and he mentioned something I think is really important to call out, which is you have to have or it's helpful to have the core and the supplemental offering as a part of this innovation. So McGraw Hill Plus is something that we've not seen anyone else in the market be able to replicate. And as Simon said, we're curating data, those learning interactions I mentioned earlier from students across those core and supplemental platforms. And again, supplemental is a 100% digital product set.

So we combine that information along with assessment data that the school might facilitate annually or perhaps on some other cadence, and we provide a profile of that

student, right? We map those interactions to place them in an overall efficacy against the state level learning objectives on that subject. And then from there, what McGraw Hill Plus is able to do is to give that educator that personalized learning instruction. So if a student is struggling with algebra, they're going to get assignments that help them develop the skills where they're weak. If they're acing algebra, they might get a playful puzzle.

Now, what's unique about McGraw Hill Plus is that this is akin to like a digital passport, but in the form of a learner profile. And they'll take that from third grade math to fourth grade and so on. And as we build up that longitudinal profile that Simon mentioned over a number of grades, that student moves through maybe hundreds, thousands of students within a district. We can build a tremendous value added relationship within that school. Now the key is we're not just providing personalized learning here, but inherent in this is we're alleviating a lot of time from the teacher, right. Who would spend time analyzing those assessment results, looking at data, trying to come up with insights, we remove that burden completely away from them.

Ryan MacDonald: Makes sense. Yes, no, it's really fascinating. And I mean, I think just generally we've seen – it's been interesting to see in the recent weeks that now we're starting to see sort of at the national media level, like sort of a highlighting of what the state of Mississippi did in terms of over the last 10 years and improving their test scores and educational rankings. And I think there are going to – there's going to be, I think in the next couple of years here a lot of other states looking. What are the tools that we need to do to try to similarly replicate what was going on there. And it feels like with McGraw Hill Plus and having that sort of data resource, that that could be a real opportunity I think.

Simon Allen: That's a great point, Ryan. And I think also, and Mississippi would, I think, back this up. It's – you never forget the quality of the teaching community and the way we support teaching community. We never attempt to replicate anything or replace anybody. It really is working in harmony with the teachers. But in doing so, you're giving them data and you're giving them real understanding of how their students are performing today's point, it's that data that we have that shows a third grade teacher what that student accomplished in second grade and then on into fourth grade and fifth grade, it goes with them. When you have that knowledge about the ability of your students in the classroom, you're going to do better, because you can really make sure that you are catering to every level in a very specified way.

That combination of data usage, obviously brilliant content, usable platforms that the students can use to augment their learning, ALEKS is a great example in math. It's that combination. It's not one issue ever. It's a combination of factors built around the teacher needs and making their lives easier to work across the classroom.

Ryan MacDonald: Yes, absolutely. Absolutely. Well, time is flying by as we're having fun in this conversation. So I'm going to shift the higher – the conversation to higher, because I don't want investors to miss, I think the strong execution that the company's had here. It's really been an area, Simon, where you've had the most material market share gains over the past few years. Can you just table set for us sort of what the company has really done well in Higher Ed over the last several years and in the role that the Evergreen model and Inclusive Access are playing in this success.

Simon Allen: Yes. I mean, I'm very proud of this, but we're proud of the whole company, right? But when I look at Higher Ed, when I began as CEO, I think our market share was within the 19 percentile or something like that or maybe very early 20s. By the time we got to 2019, we're now touching 30% market share, that growth is unparalleled by any of our competitors. And the reason we've done that quite simply is the quality of execution of

understanding the go-to-market, the product delivery, the innovation around a delivery model called Inclusive Access. And then lately another innovation that we've worked through with a product that's unique to us called Evergreen, which removes the need for new additions to ever appear again. We do regular updates rather like we do on anyone's iPhone.

The combination of factors has really driven our growth to where at the end of Q2, that I can talk about, we talked about that in back towards before Christmas when we finished up our second quarter in September. We grew 14% in the first half of the year. That's incredible in higher ed and significantly higher than any other company. We're very proud of that. It's an extremely profitable part of our business. I mentioned it's over 90% – about 92% digital. I think now it provides great retention because professors love the material that we have.

And then the way we've innovated with delivery means that we're getting much higher sell through. And that's giving professors a lot of confidence that they know their students are using the materials they must. They're seeing better grades as a result. It's a virtuous cycle. The students are getting the best price material they need. We love it. We get huge amounts of data from those students, many, many billions of data points from the higher ed group. And it allows us to create, again, more personalized products using our platform. So it's been a win-win-win for us and we're very, very proud about our market share growth and that should continue.

Ryan MacDonald:

Yes, absolutely.

David Cortese:

I'll just add one point, Ryan, if it's okay. The reason we know Evergreen is resonating in the market is that when we push those updates out to professors, 95% of them hit go.

Ryan MacDonald:

Amazing.

David Cortese:

So they're accepting the update and they're taking it. And that that does tell us that this is something that resonates with the market and works for them and the students.

Ryan MacDonald:

I mean, it's a real friction and pain point for professors when you have to look at updating additions pre – under the previous infrastructure, every couple of semesters and then it's even harder to control what – which content students actually end up going and purchasing. In college we always hear some of the work that we had done, like that, yes, just getting the student on the right edition and getting the accurate concept. It's actually a pain point. So it really seems like Evergreen really solves a real problem here.

Simon Allen:

Well, yes, I mean, you're absolutely right, Ryan, because students would go for old editions, they'd look at stuff online, they'd be getting all sorts of material copied or pirated or just not buying anything. And that was back in the day when we'd maybe sell 35% of a classroom would be using our textbooks. Now you fast forward to today with all of the course where the digital course where we provide, you're seeing sell through rates about 95%, 96%. The vast, vast majority of students are subscribing to our products.

And again, that means that the professor knows they're using the right material because they test from that process and they're looking at all the assessment questions from that particular product. So when you know what they're using and you know what you're teaching to and you know you can augment your classroom to make it more engaging and exciting through what we're giving, that allows you to be confident the results are going to be better. And that's exactly what we're seeing.

- Ryan MacDonald: And let's talk about Inclusive Access here because you said obviously more – you can see it more students signing up. And Inclusive Access is really the vehicle of which how students are interacting with your content today. So can you just talk about the level of penetration or where we are today in terms of Inclusive Access penetration? And then when a university adds or when as a professor, once you get into a new university with inclusive access what's that ramping cycle look like to sort of grow the number of professors that are offering it to their students in their classes.
- Simon Allen: It's a wonderful model, Ryan, that really has been around about now eight years and it's open to everybody. But the best thing is, and the reason to your earlier question, why have we grown share so much is because we recognize, we know the business very well. I've been in higher ed since 1986 selling books back in the day in Texas. We know how professors make decisions, what drives their performance and also student behavior. And when you think about inclusive access is the model that allows students to subscribe to our digital material paid rather like they pay their tuition fees through the Bursar's Office. They can see ECON101 and they can see the price and they subscribe and immediately they get access to our materials.
- So the first thing to say, is you're seeing students on day one or even before, whenever they want to pay, they get access to the material they know they must use throughout their course, throughout the whole semester or the whole year if it's a year course. Then what happens is again, because we're seeing such high sell through, we have to guarantee that the products that we sell through inclusive access are the lowest price. The reason being that the students, when they purchase through the Bursar's Office, can use financial aid, if that's applicable for that particular student. So we provide them the lowest price. There's no point in them looking elsewhere. They get all of the material that they need right when they need it. The professor can illustrate exactly what the course is going to look like. And it gives that confidence for the student and the professor that they have all that they need to succeed in that class. It's a wonderful model.
- Ryan MacDonald: I always like Simon, when you talk about how you – where you had started in terms of selling, textbooks, like on campus. I sincerely hope part of Philip's interview process is you had to make him go to a community college and see if he could sell a book to a professor.
- Simon Allen: That's a great one, Ryan. I told him when we first met, I said, listen to it. I was running 56 accounts in Texas. It's a long story while I was in Texas, but I'm not from there, Ryan. I think you can tell. But there I was all over Texas, and I had the speedy tickets to prove it. And I was telling him, look, you've got to get out to Texas Tech. It's joyful. Then you get to Stephen F. Austin in Nacogdoches. And I can spell Nacogdoches, one of the very few. And when you've done that for a number of years, that's when you know how the market operates. And to be serious, I said to him, the first month or two that you're here, we're going to get you out. You need to go out with reps, you need to go meet faculty, you need to go meet school teachers, meet the students. Understand how our products work. That is the strength of our company, and we've committed to that. When we IPO-ed, we're going to continue that level of commitment of growth, and our strategy will hold. He will take us into another zone, but he will also work very hard to understand the basics of what we do. It's a great question.
- Ryan MacDonald: Absolutely. And it's actually a really good segue because, obviously you've performed really well in higher ed. However, the market is healthy, not healthy, whatever. But you spend a lot of time on the street, talking to your university partners, talking to your institution partners. If we take a step back on a macro level, in 20 – at the beginning of 2026 here, what's the state of higher ed? We hear in the news of pressures around enrollment cliffs and immigration policy limiting international students, funding

constraints, what's the state of higher ed and how is it informing your sort of multi-year view on the higher ed business?

Simon Allen:

There's a lot of noise around it, Ryan, and there has been for a few months. I would say, one of the benefits that we know with experience is, what part of the noise to listen to and pay attention to, what to ignore. And we largely ignore a lot of the comments around, I mean, the international student issue is tiny. It's a very small number of graduate students that are less in the U.S. than they used to be. But of course we're a global company. So if they stay in India or they stay in Malaysia or the Philippines, we'll serve them there at those institutions. It doesn't affect our business.

When you think about the demographics, absolutely, the number of 18 year olds from this year going on is slightly declining. I think cliff is over said. Somebody said to me, "it's a slight slope," which I kind of prefer. And the reason it's not something that we worry about is because the average age of our students, customers are well into their 20s and in some cases in the community college sector, older than that.

And we have to serve those students, yes, of course, the 18-year-old freshmen, but also those that come back to college later in their lives for professional developments and coming to degrees later or specific short courses later, whatever it may be to enhance their career. We have seen, and I mentioned that the number I can report is from our Q2 at 14% growth. When you see that level of growth, that that's way over the enrollment level that's growing.

It shows that we're taking share, but it also shows that we're serving customers in the right way. We don't fear at all that enrollment issue. And we see that the share, the market share that we're taking because of how we're serving our customers is very, very effective. So we'll continue that growth. The National Student Clearinghouse just yesterday Ryan gave some stats on enrollment growth at just over 1%. We were kind of surprised. We thought it was going to be bigger than that. Doesn't matter. We know where our performance is and that's why we can indicate we thought it was larger. But the key thing is you keep it into perspective and you focus on serving all of the institutions very effectively, taking share in every instance. And that's why we continue to win.

Ryan MacDonald:

Yeah. And I truly think that, if we are really on this precipice of an AI revolution and sort of changing the way people work. I think the amount of people that will we need to be reskilled, in the next decade is probably going to change what that in our minds what is the typical college student, what they look like. It's not your 18 year old that's coming out of high school, right...

Simon Allen:

That is a great point. And Ryan, that's exactly why Philip Moyer coming on to join us with his knowledge of exactly what AI can do and let's be honest, a lot of his focus will be looking at the institutional level. We serve brilliantly, our professor and instructor customers and school teacher customers. What more can we do at the institution institutional level using AI? And that's exactly the skill set that Philip has. You're quite right.

Ryan MacDonald:

Absolutely. I mean, maybe as before we finish up here, just maybe quickly touching on some of the sort of financial questions and we'll do our best Bob, impersonation here. But since going public, the company has consistently been focused on paying down debt. I think you've paid down an aggregate of about \$592 million or so year to date. How should investors think about the – where the prioritization debt pay down is in terms of your capital allocation strategy and how do you think about other uses of cash like in terms of M&A as you kind of go forward basis?

Simon Allen: Yeah. And I'll try and do my best, Bob. We have a wonderful CFO for those of you who don't know Bob Sallmann and what he would say to you is that we're very proud. It's nearly \$600 million. You're absolutely right. Nearly \$600 million pay down recently and I think certainly since the Platinum ownership and I think when we think about the commitments we made during the IPO, Ryan, we said to investors that our goal is to get to two to two and a half times EBITDA. And that's exactly the goal that we will maintain, we will honor even with a new CEO. We will absolutely be honoring our commitments to that because we have the same Chairman, that's me. And therefore we will make sure that we continue that focus on debt pay down.

But I will say to your other question, it's a very good one. M&A, it's not something we need to do because we are very thorough, and we've really got a great presence across all of K-12, higher education, professional, medical. But there are opportunities for tuck-ins. And when I think about particularly some acqui-hires that we've done recently, there was a company, Kidaptive, a few years ago that has given us that McGraw Hill Plus product that we launched recently. We recently acquired a company called EssayPop that has really helped us with our writing tools, the instruction tools that they've released just a few months ago.

So where there are opportunities for M&A, and its mostly tuck-in opportunities, that's exactly what we'll focus on. But the debt paydown is absolutely a priority for us. And remember that 2 to 2.5 target, that's what we're still committed to.

Ryan MacDonald: Absolutely. Excellent. And maybe just for the final minute here, you talked about really the really great thing about the model here with McGraw Hill is that when we look at fiscal 2027 and current 2026, a lot of the groundwork was laid three, four years ago from a product perspective to drive the success to today. So as you two sort of sit here at the beginning of calendar year 2026, what are the products or areas of innovation you're most excited about from McGraw Hill that will position you for good execution in 2029, 2030, that sort of thing?

Simon Allen: Yeah. I'll say a few things, Dave. Then I'll pass to you. But real quick, the beauty of the strength, and you're right, that three- to four-year period, Ryan, that's where we really show our strength as a company, understanding how we build the best educational products. It's why we've done so well. So when we look ahead three or four years, we really feel very, very, very confident that we're going to provide what the market needs at exactly the right moment, having driven that development alongside the state standards in K-12, alongside the new courses evolving in higher education, using the technology that we have.

And Dave, I interrupted you once again. I'm so sorry. You go right ahead, sir.

David Cortese: Not at all. Not at all. No, look, I think we're very excited about the fact that we are here able to talk to you about innovations like Evergreen, like McGraw Hill Plus, things that we haven't seen others in the market be able to replicate. Things like McGraw Hill Plus, we'll continue to expand, right? So we started that journey in math. Now we're going to go to more states with it, right?

As I mentioned, it's a state-specific solution, which makes it so hard. We'll expand that into new subjects, like our new English Language Arts product that is just around the corner. When you think about the AI work that is to come, we have some core tenets we like to focus on here on how do we make personalized learning a bigger part of those solutions? How do we make the teacher's life easier? How do we strengthen the student and teacher interaction?

We talked about a lot of the things we've rolled out already, like AI Reader and Writing Assistant. We rolled out another product in October called Teacher Assistant, which is, again, helping that teacher source materials for lesson plans and such. The exciting thing around AI is that a lot of the stuff we talked to you about today, Ryan, we couldn't do three years ago. And so when you think two, three years out, we know where we want to go, but what we'll be able to do when we get there, I think will surprise us all, and we are psyched to go on that journey.

Ryan MacDonald: Very excited to watch it all play out. So, we've run over time, but it was an excellent conversation. Simon, Dave, thank you so much for taking the time. Thank you to those in the audience that also joined us on this Friday. I'll leave it there and have a great day, everyone.

Simon Allen: Thank you, Ryan.

David Cortese: Thanks very much for setting it up. Bye-bye.