

MACQUARIE GROUP CALL with McGraw Hill (MH US) – June 17, 2026

Steve Koenig: I'm Steve Koenig, I'm the Senior Software and Services Analyst at Macquarie. I'm delighted to have you all join us.

Steve Koenig: For a conversation with Philip Moyer, CEO at McGraw-Hill.

Steve Koenig: I'm going to give you some brief words of introduction on Phillip. He joined McGraw-Hill in February 2026. He's got 35 years of technology leadership experience, and worked in developing AI enterprise and education solutions that were market-defining throughout his career, and now he's got the

Steve Koenig: The opportunity to work with McGraw-Hill to help, you know, redefine the educational market. His background, most recently, he was CEO of Vimeo, where he launched an AI-first video strategy. Before that, he served as Global VP of Applied AI Engineering and Biz Dev for Google Cloud.

Steve Koenig: and helped to launch their Gen AI strategy. He helped CEO and other executive roles at companies such as Edgar, Microsoft, and AWS, where he ran global financial services. Earlier in his career, he co-founded an educational startup.

Steve Koenig: the Orion Systems Group Report. He built one of the first digitalized education programs for K-12. And apart from all that, he's been a software engineer for nuclear submarines at GE Aerospace. He has a Bachelor's of Science degree in computer science from the University of Pittsburgh.

Steve Koenig: So, with that distinguished background, we're, you know, we're honored to have Philip here. Welcome to Philip, and, you know, what my words of introduction here are concluded by, just remarking to Philip that you've had a front-row seat to every major tech panic for the last few decades.

Steve Koenig: And you wrote in a Fortune magazine article that the doomsayers were wrong, not because the technology wasn't powerful, but because the doomsayers wildly underestimated what humans bring to the table.

Steve Koenig: And you also said there's good reason to be more excited about education than at any point in history, and to make sure that humans at the center of it have everything they need to make the most of it. So, Philip, I'm going to start by asking you why you are so bullish.

Steve Koenig: about the future of education, you know, when a lot of educators are trying to figure out how they're going to deal with this, AI stuff that, you know, is changing... is changing the way students operate. And how can McGraw-Hill play a valuable role in defining that future of education?

Philip Moyer: Steve, thank you very much, and really appreciate the introduction. Wow, that is a long career, so...

Philip Moyer: The, you know, I'm so excited to be working at McGraw-Hill and in the education field. I call it human intelligence, and I like to say that there is no more important thing in the entire planet to be working on at this moment in time than human intelligence.

Philip Moyer: And just to kind of put it in perspective from a market perspective, the education industry as a whole around the world is roughly about a \$7 trillion market, and it's growing to over \$10 trillion, roughly in about the next 4 to 5 years. That's an extraordinary market. It's larger than most other markets, technology markets included. If you take any of the niches

Philip Moyer: The \$7 to \$10 trillion dollar number is exceptional.

Philip Moyer: Some of the things that are driving that growth, as you look around the world, we've moved poverty rates from roughly around 26% down to 18%, and about... so that's a third of a reduction, and most of those individuals, all of those individuals, are really moving into the middle class, into the upper class, and into the rich class when you look around the world.

Philip Moyer: In general, middle class, upper class spends, middle class spends about 2.5% of their, their dollars on education. And so one of the first things you do is you start to enter the upper, the middle class is that you either get more education for yourself, or you get education for your children.

Philip Moyer: And so, just the market forces, the economics, and the rates of uptake of education around the world, significantly growing. So, it's a very, very rapidly growing market.

Philip Moyer: 59% of parents still believe that a college education is important.

Philip Moyer: And in fact, it is. You have lower rates of... low rates of incarceration, lower rates of smoking, lower rates of obesity. You have much higher, 40 to 60% higher earnings over your lifetime when you have a college degree than when you don't. So there's a lot of, like, misconceptions about the education marketplace. It's a growing, vibrant market that has a lot of value to human beings around the world.

Philip Moyer: The second thing is, is that humans' knowledge is doubling in a lot of cases right now across some of the most important fields every single year. The number of subjects that have to be studied, the number of technologies, the number of trillion-dollar industries that are coming.

Philip Moyer: Space is just one, nanotechnology, synthetic biology, you've got quantum on the horizon. AI is one of the great examples. So the number of things that we as humans have to learn around the world, the education, the ability to be able to take somebody from literacy all the way up to an advanced science.

Philip Moyer: It is growing. The wall is growing in terms of the amount of information.

Philip Moyer: And the reality is that you actually need pedagogy. You know, one of the most important things in coming from a technology background into an education background is understanding the fact that sequence of learning matters. And we're learning this in a whole variety of ways, whether or not we're seeing what happened in Mississippi around literacy, and the pedagogy that they use to be able to advance their literacy rates, or whether or not you take a complex subject like the medical field.

Philip Moyer: graduated from... into his residency, he had over 54,000 note cards when he graduated, and the sequence by which you learn is very important.

Philip Moyer: I'm excited because McGraw-Hill is an expert at taking a tome of knowledge and turning it into a sequence, and then making it something that is easily understandable for both a

professor or a teacher, and for a student. And so it's a really exciting time to be taking this much knowledge and turning it into something that is consumable for students.

Steve Koenig: That's great, Bill. Thank you for that. And by the way, I want to tell our clients here that we are going to take your questions, and I'm gonna... you can either put them in the Q&A bar, or you can email me, and I'll give you that email. First, what we'd like to do, though, is get through

Steve Koenig: We want to dive into, McGraw-Hill's

Steve Koenig: strategy, and in particular, their AI strategy, and we're gonna... we're gonna go through a few questions on that before we open it up to your questions. So thanks for your patience on this, but I think you'll find it, pretty, pretty insightful. So, Philip, we... we do want to dive into your AI strategy, but first, let's talk more generally about your growth outlook.

Steve Koenig: and your strategic position in education. So, in K-12, you achieved, this last fiscal year that just ended, capture rates in the top end of your 25-30% projected range, and in higher ed, you've expanded your market share to 31%. Can you talk

Steve Koenig: More about some of the challenges and opportunities for fiscal 27, and, you know, how you expect to end up with respect to your guidance range, and also about potential longer-term catalysts for share gains, revenue acceleration, and more generally competitive differentiation.

Philip Moyer: Sure. So, I like to describe our businesses in the following way. K-12 is a bond, and the higher ed is a stock, and then our global, professional, international are options. And some of our innovations are options. So we've got a really great, diverse set of businesses, first and foremost.

Philip Moyer: You know, the capture rates, we've said that we're going to be a little bit on the lower end of that 20-30%. McGraw-Hill, if you're not a big follower, we are in roughly a little bit over 90% of the school districts in the United States.

Philip Moyer: huge portion, internationally, over 80%, of universities, and then the same thing in the medical schools. So we are... we have, a piece of our curriculum in almost every, in every, layer of journey, of, the learning journey.

Philip Moyer: And so, really, really extraordinary position, market position to be in. You know, as we think about where we're going in fiscal year 2027, there's a few things that are important. In K-12, you know, we've talked about the fact that California math is

Philip Moyer: a potential driver for us of revenue and growth in fiscal year 27. California Math in particular, last year, in fiscal year 26, we saw over 26 competitors come out to be able to bid on California Math. California pulled its math program forward pretty dramatically by almost a full... over a full year ahead.

Philip Moyer: And only 20% of districts inside of California were able to make decisions last year. There's a lot of different ways to teach mathematics.

Philip Moyer: Districts are making decisions both on pedagogy, they're trying to determine budgeting, because the model has been pulled forward by them for California, and so we're still in a very competitive marketplace in California.

Philip Moyer: The same thing around Texas and Bluebonnet. There's a curriculum that came out from Texas around mathematics, where the state is subsidizing some of the adoption, but at the same time, we're also being adopted with 3- and 5-year, 3- and 5-year contracts.

Philip Moyer: The exciting thing for us in K-12 that we could not be more thrilled about right now is the science of reading and literacy.

Philip Moyer: So, to put this all in perspective.

Philip Moyer: Literacy is 40% of our K-12 business. K-12 for all of McGraw-Hill is roughly about 50% of our business, so...

Philip Moyer: But 40% of that K-12 business is literacy. We've had a strong position in literacy with our Wonders program, about a billion and a half over the 10-year time period, and...

Philip Moyer: you know, mathematics, to put that in context, is only about 20% of our business in the K-12 space. But what we're seeing right now is that there is a defined way of teaching reading. It's called the science of reading.

Philip Moyer: And we've come prepared for this moment, because over 42 states now have some legislation that is either passed or working its way through their legislative process to require science or reading.

Philip Moyer: And we invested over \$100 million in building a curriculum from the ground up around science of reading. We've had some really extraordinary early successes. We were thrilled to be selected by Seattle. It was a district that, quite frankly, wasn't even in our pipeline, but it's a large urban district that really did a thorough analysis.

Philip Moyer: We've seen the Colorado rubric that we scored the highest on the entire rubric for literacy, 212 out of 214.

Philip Moyer: And so we've been seeing a lot of activity and a lot of excitement. Why this is important is because literacy rates in the United States, if you saw some of the recent articles, we're at about 33% of the students in the United States are learning, are at their grade level for literacy. It's becoming a crisis in the United States, and quite frankly, in a lot of places around the world.

Philip Moyer: Science of reading, is a shift in how we've been teaching. It's been proven out, both from a research perspective, and then also in large states, like I mentioned, in Mississippi. So, really great tailwind for us in that business.

Philip Moyer: intervention and supplemental for us. We're seeing a lot of firmness under that space. There was a lot of decline in the market because of the funding from COVID, and now we're seeing return to growth.

Philip Moyer: And we're seeing some really strong adoptions as well in our open territory. So for K-12, as I said, we're... we are forecasting on the lower end of our rate capture range. This is my first year as CEO. I want to...

Philip Moyer: really make sure that this is something we can live up to, and so we're forecasting, you know, that kind of growth. Higher ed, 40 consecutive quarters of growth. You know, prior to COVID, we were around 20% market share, we're up at 30% market share.

Philip Moyer: We've got some really great relationships, and we're also coming out with a lot of innovative products. And so we're taking share in that space.

Philip Moyer: Our inclusive access means that every student inside of a classroom gets the curriculum, and then our evergreen product means that we're constantly updating. And so those two things, establishing a floor around price and this ability to be able to be constantly publishing across over 800 subjects.

Philip Moyer: It really sets a pace with our competitors, and so it's one of the reasons why you're seeing such good growth out of our higher ed business.

Steve Koenig: Got it. And, you know, Philip, just one point I want to just dig into real briefly here, which you alluded to in your comments about math. And by the way, speaking as a math major, I don't understand, like, what's the problem with the traditional approach for teaching math.

Steve Koenig: But I understand that, you know, you talked about all those competitors coming in, and the fragmentation that you're seeing. I know you're not giving up on math.

Steve Koenig: And with 80% of the California math market still remaining undecided, can you just real briefly talk about what's the controversy, and what specifics, things are... is McGraw-Hill doing to ensure you don't lose ground at competitors?

Philip Moyer: So, there's a couple major techniques, but I'll boil it down to just two, two techniques. One is what's called an open inquiry approach, and the other one is a linear, or what we call kind of a linear spiral, more traditional approach.

Philip Moyer: With an open inquiry approach, you kind of say, hey, you know.

Philip Moyer: 5 people walk into a pizza shop, and each, each of the individuals want 3 slices of pizza. How many pizzas do you need? And you kind of work your way into fractions. In the traditional approach, you say, this is a fraction. It's 1 third is less than 3 quarters, 3 quarters is less than 3... I'm sorry, is less than a half, less than 3 quarters. And so.

Philip Moyer: a lot more, I'll say, drilling in the techniques.

Philip Moyer: States like Florida are much more traditional. Singapore, as an example, international baccalaureate. We tend to see a little bit more traditional technique. California is a much more of an open inquiry state. And so we've been a provider of math to a large portion of the marketplace. You know, our reveal math is one of the most respected products that's out there.

Philip Moyer: We've got a product that's called Alex that gives you incredible assessment that I'll talk about during the AI time period. It's one of the, really, the most respected,

Philip Moyer: products around mathematics. One of the things that we've had to do is really make sure that we bring our open inquiry approach to the front. You know, normally we've got problem sets in the back, and we've got to bring that to the front.

Philip Moyer: We've got to make sure that the teacher's edition is really easy to consume and to read and to teach from, because you imagine a third grade teacher jumping from literacy to social studies to math. That teacher has to be able to open the content and be able to go right to the problem and work their way through.

Philip Moyer: One of the things that I'm really proud of the team about, since I've been here, you know, we've been listening to see, you know, the ones that we've won in, we get the feedback, the ones we've lost in, and we've done a fantastic job of responding to that.

Philip Moyer: We've got a lot of teachers in our network who are producing materials that can reinforce our program that have already been teacher tested, and so, you know, we're headed into this next season of selling.

Philip Moyer: Really feeling good about the program, and with the relationships that we have on the ground.

Steve Koenig: Okay, gotcha, Philip, that's pretty interesting.

Steve Koenig: reminds me a little bit of the business school case method, where we're expected to crack the case without, you know, being given the content, but at any rate, you know, that's my analogy. So, I want to dive into AI, which is what we promised investors on the call. And I'll just, you know, begin by commenting that, that

Steve Koenig: McGraw-hill has launched

Steve Koenig: 8 solutions, AI solutions, over the last 2 years, and you're currently working on 3 more, that leverage your advantage in reliable proprietary inputs, you know, including bulk content and learner data... learning data, excuse me.

Steve Koenig: So you, you put out an AI blueprint on, along with your earnings materials, la- last week, if I, if I remember correctly. Time is kind of, just going fast right now. But you, you talked about embedding intelligence where learning happens.

Steve Koenig: So, can you talk a little bit about your strategy for, you called it workflow entrenchment? What does that mean? And how does Agentic AI further that objective of workflow retrenchment?

Philip Moyer: Absolutely. So, you know, I've spent a lot of time in technology, as you mentioned. Microsoft, Amazon, and Google. I was, in the inflection points. I joined Microsoft a little bit before it had a billion dollars of revenue, and Amazon, you know, right at the, kind of, the birth of the cloud as it related to, kind of, corporations, and then AI, certainly at Google.

Philip Moyer: The thing that every technology company gets wrong, I've been inside of them, is how difficult the last mile is. It is really hard.

Philip Moyer: It's not writing the code that's hard. Anybody can write code. We can have an AI agent write code. It's integrating into everything else you have, integrating into your processes.

Philip Moyer: And everyone is coming to realize this. OpenAI just launched a services company, and services were supposed to be the first thing that gets decimated, and consultants were supposed to be the first thing that gets decimated. It's hard.

Philip Moyer: You know, they've hired salespeople, inside salespeople, services. A lot of my friends are now over there doing exactly what we've done every single decade inside of big tech.

Philip Moyer: So, with that being the case,

Philip Moyer: you know, the thing that I really saw when I came here to education, because a lot of people said to me, oh my god, AI, you're just going to park a child in front of a chatbot, and it's going to be a wonderful experience, or I'll just, you know, become a doctor and learn how to do surgery in front of a chatbot. The reality is a few things. When we build a pedagogy, I'll take literacy as an example.

Philip Moyer: You literally have to weave every minute of that child's life from kindergarten all the way through 12th grade. I can tell you what a fourth grader is going to be doing in the fifth week of school

Philip Moyer: the activity that they're likely to be doing if they're using our curriculum. I can tell you when they're going to be working with a piece of paper versus when they're going to be working with a laptop versus when they're going to be listening to the teacher in front of a smart board or in front of a, you know, a chart.

Philip Moyer: And so you literally count minute by minute. You say there's a 90-minute block on this week, there's a 60-minute block this week, and then the skills that you have to build, and then reinforce those skills, and reinforce those skills, and reinforce those skills.

Philip Moyer: That is pedagogy. And that workflow, teachers learn that, and they have a few minutes, as I mentioned, to switch from subject to subject, and they have to be able to know what the text is that someone's going to be reading. So, for example, yesterday I was in with the Department of Education, and we were showing the age-specific text.

Philip Moyer: for literacy in fifth grade, and in first grade, and in second grade. And guess what? It actually is reinforcing things that they're also learning in science. But it's grade level. It has the right kind of sentence structures, the length, and also, you know, syllables of the right words.

Philip Moyer: And so that pedagogy is something that's really refined. When you do literacy, it's 1 to 2,000 skills that you have to lay down and then reinforce through that learner's life. When you do something like mathematics.

Philip Moyer: 4,000 to 5,000 skills, you know, for the entire journey. You get up into the higher grades, and more complex subjects. Biology itself, Bio 101, 4,000 unique things that you have to actually learn, the skill set. As I mentioned, with medicine, you're in the tens of thousands of things. And so that pedagogy actually matters. And, and, you know, what I would tell you is that there's lots of open curriculum

Philip Moyer: concepts that are out there. We're not seeing an AI chatbot combined with an open curriculum content be able to kind of... be able to give that kind of experience.

Philip Moyer: And then we're certainly not seeing it show up in the type of materials that classrooms are requiring.

Philip Moyer: Classrooms are increasingly... there is a backlash against screens. We believe in a balanced approach. You know, to use a little bit of screen time to assess, and a lot of, human time

to be able to teach. And so, we also have to feather in, you know, how much human time versus screen time.

Philip Moyer: As you get into the higher grades as well, where you have more self-regulation, tools can be introduced more and more. We've got a whole variety of tools. AI Reader. I can really quickly highlight a section and be able to get a sense of

Philip Moyer: you know, explain this to me like a third grader, and we're seeing as much as 50% more dwell time when you're using our AI Reader product, to be able to understand content and more engagement.

Philip Moyer: writing assistant to be able to, on a real-time basis, in a 6th through 12th grade environment, we actually are coaching the student as they're going, with, according to the pedagogy of the McGraw-Hill Literacy Framework.

Philip Moyer: You know, things like our translation tools, where we're able to quickly support multilingual learners.

Philip Moyer: And then even things like teacher assistant, we're able to help with lesson planning, and a lot of the work that we do around proficiency, we're able to group students based on proficiency pretty quickly for the teachers.

Philip Moyer: And so, the, you know, the opportunity for AI, you know, across the marketplace is a really exciting thing for us. And the tools that were coming out, they have two important techniques.

Philip Moyer: balance screen time and supporting that personalization for the student, and closing the loop with the teacher. So we're constantly giving feedback around what the AI is doing.

Philip Moyer: And this is a really, really important element, and this is one thing I think most people really miss dramatically. When you take Algebra 1, that in itself has roughly about 500 skills that you have to teach. That means there's 2 to the 500th potential learning states of a student.

Philip Moyer: AI is really bad at having a numerical memory, and it's actually, you know, from a technical perspective, you don't want to store a lot of data inside of an AI. It becomes really expensive to be able to do those embeddings in an AI. It's very costly.

Philip Moyer: And so you need this kind of, you know, out-of-the-model store of proficiency, of knowledge of the learners, of the state that they're in, to be able to refer to, to be able to make the right decisions. We have, you know, our Alex Plus, our Alex product, our McGraw-Hill Plus.

Philip Moyer: We house all of that proficiency data, really granular proficiency data, by student.

Philip Moyer: And then we also have this pedagogy, what the order is, and we use LLMs and we use other AI techniques to be able to serve learning, but you really can't serve the learning without the proprietary content in an ordered fashion and the data proficiency. That's...

Philip Moyer: the magic that McGraw-Hill brings to the teacher.

Steve Koenig: Okay, that makes sense, Philip. I'm gonna throw you a bit of a curveball, a question that we actually didn't discuss, okay, which is... which... and it's not... not intentionally, I'm trying to trick you here, but it just... it seems like it's the elephant in the room.

Steve Koenig: You know, it's, it's, you know, McGraw-Hill can come at this with a very, very structured pedagogy that, that helps

Steve Koenig: Students struggle and achieve, you know, that learning struggle helps them achieve

Steve Koenig: positive educational outcomes. But what do the educators do now that you've got

Steve Koenig: you know, LLMs and chatbots where the students can take short, you know, AI can basically enable the student to take a shortcut and not... not really have that educational struggle. Like, McGraw-Hill won't be

Steve Koenig: offering, you know, that kind of approach to learning math, but students can kind of do it on their own. So how do educators feel with that?

Philip Moyer: So there's a couple things. You know, first of all, the average school has about 2,500 tools, the average teacher has about 40 logins, and the average student is working with about 25 different tools in their learning journey.

Philip Moyer: There is a lot of tool fatigue out there. I'm gonna start with that, first and foremost. Academic integrity is a really interesting thing. You know, I heard a study recently, I was talking to some university administrators. 70% of students cheated

Philip Moyer: Before artificial intelligence.

Philip Moyer: And today, the analysis is that 70% of students are cheating after artificial intelligence. I heard from one psychology professor that he did a paper-based exam recently, and a student sat down in the classroom.

Philip Moyer: And when the tests were handed out, he got up and ran out with a paper test out the back door. So, cheating is gonna be, you know, there's gonna be shortcuts to comprehension for as long as there's, you know, humans learning, is all... I'll start with that, concept.

Philip Moyer: There's a variety of things that we do. You know, first of all, that's really, really important, is that we create a walled garden, and we increase the aperture of that walled garden to allow a student a wider and wider array of tools and input from AI over the period of time.

Philip Moyer: And I said at the beginning that, you know, the balance of screen time is a lot around self-regulation, and so the more self-regulation you have, the wider the aperture is. And so when we get up into, you know, things like the medical field, we have a tool like Clinical Reasoning that will ask you, we'll say a patient just presented with, you know, loss of consciousness.

Philip Moyer: And you have to ask it a question. And the, you know, the AI will actually respond to you, but you can be, you know, on your phone trying to get hints, but our AI is prompting you with questions around how do you get to the diagnosis, of this, of this patient.

Philip Moyer: In the really early phases, what we do is that we only show you a small chunk of text, and we're asking very specific questions. And so, think of it as, like, this aperture that opens over a period of time.

Philip Moyer: Now, a lot of the educators that I work with, probably the, you know, the students are starting to become adapted to this new world. I've had students say to me they won't use AI because it's not true learning, and I've had others who say I use it, you know, to do my assignments.

Philip Moyer: The Air Force Academy has a framework that they're starting to use, which says, it's 1 through 5, and they do it by assignment. They say, you know, with a Level 1, you can't use any AI. In Level 3, you can do sentences, but not paragraphs. Level 5, you can use any AI.

Philip Moyer: And the professors actually are now starting to integrate AI in in a way where they say, this is a level 1, this is a level 3. And I... and so...

Philip Moyer: We're not going to stop cheating. There's lots of tools out there to take shortcuts, but we are starting to... you know, we released an entire AI curriculum this year, especially for the Middle East, and so we're starting to teach teachers how to teach with AI as part of the curriculum, and not make it something an or, but an AND, and also showing the student when they're learning and when they're not.

Steve Koenig: Yeah, okay, that's great. That makes sense. That makes sense to me. You know, you referred to this a little bit earlier when you mentioned open educational resources. So I want to ask you about the risk, to McGraw-Hill posed by AI, as well as the opportunities.

Steve Koenig: And, you know, in particular, you know, I guess I'm curious, could Upstarts use LLMs in conjunction with open educational content to create curriculum? And what's your view of how MH would compete against this, you know, given the complexity of pedagogical approaches and the importance of good learning outcomes?

Philip Moyer: So the short answer is they already are.

Philip Moyer: And we're winning around 6-1 against OER.

Philip Moyer: I announced that this quarter, that, you know, for every 6 units that we're winning, we might lose one, or vice versa. When we lose one, we're winning six. We're seeing a lot of people come back from OER. You know, creating content and creating curriculum is not just about, like, hey, here's a, you know, here's some text in an order.

Philip Moyer: You actually have to keep it fresh. You've got an American with Disabilities Act, you have to make sure that it's accessible, you've got to make sure, you know, that there's no errors in it. One of the things that came out about Blue Bonnet is that there was thousands of errors that were in the curriculum.

Philip Moyer: And then you've got to keep that content updated. But OER has been around for decades, and I liken OER to open source in the software industry.

Philip Moyer: The entire cloud industry is built on top of open source techniques. Most companies don't want to stand up a Hadoop cluster and have to manage it and ensure that they're updating

and patching it. They instead swipe a credit card and go get some, you know, BigQuery from Google, you know, for a few, you know, for a few dollars per slot.

Philip Moyer: And that's the same thing with open source and open, you know, educational resources are very similar in this world. And the same thing, like, you know.

Philip Moyer: I look at it, and most of the professors that I talk to, they realize that you have to weave this in, and the materials, the physical materials, you know, the teaching, the assessments that have to go with that, like, how do you assess whether or not someone's having comprehension? What does the quiz bank look like? All of those kind of things actually take professors' time.

Philip Moyer: And the one thing that teachers and professors don't have enough time... don't have enough of, it's not enough curriculum, it's actually enough time. They have less and less time with students, and they have to teach more and more, so it's not about, like, the content for them, like, being able to do it cheaper.

Philip Moyer: It's really about what optimizes their time with the student, and how do they create a quality teaching experience.

Steve Koenig: Got it, okay. And I've got about maybe 2 or 3 at most more AI questions I want to throw at you, but I'm going to start encouraging participants that want to ask questions, please feel free to... you can either put them in the Q&A,

Steve Koenig: Or you can, email me directly, and I'm at steve.koenig@macquarie.com

Steve Koenig: So, Phillip,

Steve Koenig: in terms of McGraw-Hill's move into Agentic, I want to get a little bit more granular here. We understand you're conducting several pilots, you know, using Agentic tech, including MCP, Model Context Protocol.

Steve Koenig: Can you talk more about why Agentic's a good opportunity for McGraw-Hill, and to the extent you can, what you're doing in these pilots, either with your own agents or with MCP support for third-party agents?

Philip Moyer: Sure. So, this is a really exciting, opportunity. It's one of the big reasons why I came to McGraw-Hill. It's one of the big reasons I went to Vimeo as well. So, we're gonna move

Philip Moyer: We're in the era of large models right now. We're kind of at our peak in efficiency in the computing marketplace. It's a little bit like AOL, where you had to go to AOL for everything. And, you know, your news, your healthcare, your email, your romance, everything. And we're kind of in that era with AI. I wrote a lot of papers when I was at Google around this.

Philip Moyer: And I think that we're starting to see it. I'm certainly seeing in the financial industry and with a lot of my friends that are actually building. Small, lightweight models are going to be much more pervasive than large models, in terms of their usage.

Philip Moyer: And agentic is this error where you're moving from answering a question to taking action. When you do that, when you have autonomous things, when you have things that are basically acting on their own, you need trusted knowledge sources, and you need fine-grained tuning of those models.

Philip Moyer: So, Agentic, I believe that where we're going to move, in the same way that we watched the API economy emerge, you know, about... you were able... originally, nobody trusted the internet to be able to take a credit card, or even to connect two computers together, and then we got SSL, we got APIs.

Philip Moyer: You know, we got RESTful APIs, and we got all kinds of transaction protocols to be able to process money on top of them.

Philip Moyer: That's exactly what's going to happen in the AI world, is that we're going to move to almost an app store-like model for knowledge.

Philip Moyer: Where I will trust knowledge.

Philip Moyer: McGraw-Hill intends to be one of those trusted sources for knowledge.

Philip Moyer: And, you know, the exciting thing is we have our moment of what we... I compared to the RESTful API, or the SSL. We just invented MCP, not McGraw-Hill, but the industry just invented MCP, the way for two AIs to speak to each other, and so we're kind of at that era of inventing the RESTful API in AI,

Philip Moyer: And so you're gonna start to see these agents, be created. When I got here.

Philip Moyer: you know, pretty quickly, when people were asking me, you know, how are we going to deal with this? Are we going to let the genie out of the bottle? Are people going to use all of our curriculum, or are we going to lose control? I said, no, we'll put it inside of an MCP server. And that MCP server, we can audit it, we can meter it, we can turn it off. When we answer a question, we can cite our content, we can even give you a link back to the source.

Philip Moyer: We'll give you a reason to keep coming back to us, you know, as an agentic server.

Philip Moyer: And so, it's one of the things that we've, you know, we're headed into pilot with a number of organizations. We've been asked this by many organizations, both educational and non-educational. The non-educational have been in the medical field. They have nothing to do with education, they're actually very traditional companies inside of the medical field.

Philip Moyer: But when I look at that, you know, it's a very clear signal to me that, you know, we can serve the learning journey for much longer, for continuing education, when you have to have continuing professional certification, when you just have to have reference material and you're making a really critical decision in one of the sciences.

Philip Moyer: You know, I look at Agentic as an opportunity to both serve in more places, expand our TAM, and then also protect all of our IP in a really beautiful way, while giving the richness of AI and, you know, the protection of IP to all of our great authors.

Philip Moyer: And creating a really fantastic business model.

Philip Moyer: The business model is evolving, and I want to kind of be really clear about this. We're not charging for this right now.

Philip Moyer: The three business models that kind of exist in Agentic is just an upcharge. Like, I've heard, you know, ServiceNow or Workday and others might be just giving, like, a 10% upcharge to get that MCP access.

Philip Moyer: And then there's by the question, which if you've got ChatGPT on your phone, you probably have 40 questions in the base version and 300 in the professional, so you can charge by the question. Or the third is by the token, which is the complexity of the text, the question and the answer. You know, Microsoft is doing some things with GitHub, as an example.

Philip Moyer: And so we have 100 million licenses of our content.

Philip Moyer: And so when I look in the future, you know, the ability to be able to upcharge, or to be able to charge by the question, or to be able to be able to charge by the complexity of the dialogue that you have, we're thinking about all those business models, and, you know, taking McGraw-Hill and our knowledge source into that new knowledge economy in a really exciting way.

Steve Koenig: Yeah. Well, that's great, and you, you, basically answered... you knocked off my, my pricing question I was gonna ask, so that's great, we killed two birds with one stone there. I think my, my last question for you on AI, is maybe just to expand on, you know, the reference you made,

Steve Koenig: when you were talking about your pilots to expanding your TAM outside of education, you know, with... and you talked about in your blueprint, I believe, you talked about real-time knowledge delivery.

Steve Koenig: That's pretty intriguing, to me, and I'm wondering, can you tell us more about what you see as being the opportunities here, and how real are they for McGraw-Hill, and how might McGraw-Hill, you know, pursue those non-educational opportunities?

Philip Moyer: You know, it was really clear to me, the American Medical Association just gave out 12 grants for what they call precision education.

Philip Moyer: And the precision education, most of it was for continuing education by doctors. You know, if you don't study malaria because you've gone to, like, maybe a northern hospital, you haven't had a lot of exposure to malaria patients, you know, in your residency, and suddenly you're starting to get exposed to malaria patients, you need to be able to get a quick refresher.

Philip Moyer: And increasingly, we're seeing hospitals want to be able to really make sure that their doctors are up-to-date on a particular treatment, up-to-date on a particular medication, up-to-date on a particular medical protocol, and so that ability to be able to educate right at that moment is really important.

Philip Moyer: You know, the fields of knowledge where you learn, or you get paid the most by a college degree are also the ones where the knowledge is increasing. The most papers are coming out as rapidly as possible. And so our ability to be able to take those fields that have rapidly changing information.

Philip Moyer: whether or not it's in materials science and engineering, or whether or not it's in the emerging different AI frameworks that are occurring, or in the medical profession, our ability to turn that into curriculum, and then be agentic, and be a part of that learning journey. For example, you know, with that medical professional, or with that engineer when they're making some decisions around a particular material.

Philip Moyer: That, to me, represents an amazing opportunity, you know, for TAM expansion. The other element of TAM expansion, you know, I mentioned the growth internationally.

Philip Moyer: Multilingual education, our ability to be able to use AI to be able to do this in a multilingual and multicultural and multi-pedagogical way, is... has been limited by the fact that we've been kind of a publisher of content that goes out once every 3 to 5 years.

Philip Moyer: Now we're able to go over and

Philip Moyer: when you teach medicine, as an example, in some countries, you're teaching body parts. In the United States, we teach systems, and there's a lot of different techniques to teach around the world, and so our ability to be able to be culturally appropriate to whatever country or, you know, culture we're in, pedagogical appropriateness, and then language appropriateness, I think that also represents amazing TAM opportunity for us.

Steve Koenig: Got it, got it. Very, very fascinating. Okay. I'm gonna now open it up to the audience's questions here. We have one question, I believe, and please feel free to send in some more.

Steve Koenig: And this question, it's pretty granular here, so, let me, let me try you on this. So, we, one of our investors is interested in hearing more about the proficiency data that... that is highlighted within ALEKS.

Steve Koenig: And, the question is, is this, like, a proprietary measure of subject matter proficiency that sits entirely in your environment? Or do instructors use this to assess students' progress in a subject the same way they would use, like, a purpose-built assessment product?

Steve Koenig: You know, our alternatives... alternatively, is this purely used within your teaching or tutoring product built into the curriculum?

Philip Moyer: Such a great question. I like to say that analytics came to the financial industry, then it came to the sports industry with Moneyball, it came to the healthcare industry, and analytics is coming into the education industry.

Philip Moyer: One of the biggest problems we have around things like math proficiencies and literacy proficiencies is we've been using pass or fail, A, B, C, or D.

Philip Moyer: As I mentioned, a single subject like algebra can have 500 skills. When we use ALEKS, what we're able to do is get a sense, within 25 questions of the 2 to the 500th potential learning states of that student.

Philip Moyer: We've got a school up in Allegheny County, outside of Pittsburgh, where the teacher, the principal at the very start of the year, takes the... what we have is a knowledge graph. It's this, like, a pie chart, and it has the 500-plus sections kind of broken down into easy-to-understand areas.

Philip Moyer: And everybody takes their ALEKS exam at the very fir... at the very start. And over the course of the school year, you watch these pie charts bloom. The teacher is literally putting them up on, each at the end of every week, students come up and post it, and it's a source of pride, because by the end.

Philip Moyer: You know, there's this great video of him showing that everybody's achieved proficiency, you know, in their... in the math class. It's a beautiful way to teach, it's a beautiful feedback tool for a student.

Philip Moyer: for a parent, and also for the teacher. The teacher is also able to say, I need to do small group learning here, versus I can do classroom learning, you know, broader classroom learning, or individualized learning. It really helps to focus, and it gives the analytics we need to understand compounding gaps or compounding proficiency.

Philip Moyer: With that being said, open always wins.

Philip Moyer: you know, in the software industry, in any industry, open wins. We've built an open model, and we have Pearson assessments, we have Renaissance assessments, we have NWEA assessments. We're really excited, we want to make this something that other proficiency products build on top of.

Philip Moyer: And that we can integrate, and we can, you know, collaborate with other organizations. And, right now, we use it as part of our... that pedagogy, as I mentioned. So we give you the math program that you teach.

Philip Moyer: And we say, now's an appropriate time for you to do assessments. There are... not everybody uses Alex for assessments. Some, you know, use third-party tools. There's a number of assessments that are out there. Alex tends to be one of the most granular in the entire industry, one of the most beautiful, also one of the most supportive of the teacher in making decisions.

Philip Moyer: But like I said, we're gonna, we're gonna continue to try and be a really open platform around assessment.

Steve Koenig: Yeah.

Steve Koenig: Great, and I want to follow up on that, and we don't have more audience questions, but please feel free to Q&A them in the chat or send me an email. So just expanding on that point.

Steve Koenig: You know, Philip, you have talked about how, you know, you think there's some misconception out there, you know, that,

Steve Koenig: that GenAI is incompatible with, you know, content protection, proprietary IP protection, and you're talking about McGraw-Hill embracing open.

Steve Koenig: how do you make sure that, you know, McGraw-Hill gets the value out of your proprietary content in an environment where this content's gonna be mixed, remixed, reused, and in countless different ways, you know, by, you know, by agentic AI or analytic AI tools?

Philip Moyer: Yeah, such a... such a good question. You know, you'll see us be very, very, aggressive in supporting the right, the copyrights, both on McGraw-Hill and the authors that we have.

Philip Moyer: I like to say that, you know, it is not a choice between great AI and copyrights.

Philip Moyer: You know, at Vimeo, I think I've talked about this in the past, where we were approached to crawl all 8 billion minutes of our video. A large AI company wanted to crawl, we turned them down.

Philip Moyer: It was the right decision. It was, you know, they'd offer us a bunch of money. By the end of my tenure, there were companies, like a company like Trovio, you know, they would come in and say, you know, something like, hey, give me all the beach ball videos, and we'll compensate your video producers on their B-roll.

Philip Moyer: Because we need to... there's an AI model that needs to be able to make their beach balls bounce better, or hands clapping in an office.

Philip Moyer: It is really easy.

Philip Moyer: really, really easy to detect whether or not you've crawled something that has copyrights. And we have copyright on it, we find the content in there, it actually says copyrights, and so these are the large AI companies, I think, I would just say they're being conveniently,

Philip Moyer: forgetful about how easy it is, and also that there's a very legitimate business model. There's both technology and business models to make copyright protection available.

Philip Moyer: MCP, this invention of MCP, is precisely that. You know, in the internet era, you had this Faustian bargain, where either you published everything you had, and didn't have a paywall, or didn't have any access, or you gave everybody access, or you gave nothing. And then we moved to paywalls, and we moved to, you know, different ad models, and a whole variety of models.

Philip Moyer: And suddenly, copyright holders were able to make money again, you know, off of their content.

Philip Moyer: That's exactly what the area is that we're right now inside of AI, you know, and as we go into this next area, what we want to be able to do is answer the question that the learner has, wherever they're asking that question.

Philip Moyer: And so this idea of MCP is our ability to be able to show up, and if you just want to get a single question answered from us, you can. If you want, you know, to help us write an entire essay, you need to cite, you know, where you got the content from McGraw-Hill.

Philip Moyer: We're going to help you with that. If you're a teacher and you want to be able to create a set of flashcards that are age-appropriate, you know, for a particular math level that you're at, or social studies.

Philip Moyer: We're going to give you precisely the kind of content that you're going to need, given where you're at, in which week you're in, you know, in your fourth grade class. And so, this idea of MCP,

Philip Moyer: you know, it's going to allow our content to continue to show up in all the ways that a student or a teacher want, and then ultimately, you know, be able to assemble that the way they want to. So, it's a lot about making sure that we are as accessible as possible.

Philip Moyer: But then when we have that metering ability, that ability to be able to meter how many questions you've asked, you know, do you have authority to ask this question, you know,

have you paid for a subscription? That's where we're headed, is that, you know, we'll make sure that we protect McGraw-Hill and the authors that we serve.

Philip Moyer: Their content.

Steve Koenig: Yeah. You know, I've noticed in my software coverage that there's been a real sea change, like, just in the last, like, 4 months.

Steve Koenig: Where, you know, previously, you know, several, you know, many examples of vendors, like, throwing up contract language that restricts, you know, using their content in certain ways.

Steve Koenig: you know that clients may have been used to in an API economy, and now there's, you know, kind of roadblocks in an AI economy. But in the last few months, we've seen a real sea change, you know, from a lot of these companies in terms of embracing a new position that's being potentially a, you know, a servant context, right? And, you know, you see headless sales force, it's just one example.

Steve Koenig: And with your coming to McGraw-Hill, like, you guys embraced it right away.

Steve Koenig: You know, so, you know, I think McGraw-Hill kind of gets it, and I'm wondering, I guess my last question, unless there's any more, questions from clients, is, is really maybe, maybe about, organizational transformation

Steve Koenig: at a company that is self-described as very mission-driven. And, you know, I think in terms of your use of AI internally, what are you doing there to make sure that you're leveraging AI? And then when it comes to bringing in the kind of talent that you need.

Steve Koenig: You know, I'm just guessing that you have a lot of friends in tech who are saying, hey, Philip, I really want to do something in the remaining years of my life, of my career, you know, that is really helpful to society and can give me a sense of achievement. I bet you've gotten some phone calls from a lot of your friends, right?

Philip Moyer: I have, I absolutely have, yeah.

Steve Koenig: So I'm kind of curious, like, what are you guys doing at all levels of the organization to facilitate the use of AI and to transform the organization with the kind of additional skills you need?

Philip Moyer: So first of all, I have to say, leaving big, you know, leaving tech and coming over and getting to walk in elementary schools and see students that are working on flashcards and working on multiplication tables, or doing reading circles, or, you know, watching the, you know, freshman

Philip Moyer: class, get ready for their finals. It's a wonderful place to work, and so, you know, it is an amazing mission.

Philip Moyer: fun thing, really beautiful, thing to work on in your career. And so, I, yeah, the short answer is yes. Lots of people have said, you know, if you've got a spot, let me know.

Philip Moyer: You know, the exciting thing, you know, when I got here, I'm just, I'm so impressed. This is a learning organization as well. You know, we take learning seriously internally.

Philip Moyer: My very first town hall, the day before my town hall, I think we had over a thousand people take an AI course, the day before my first town hall. And so I was thrilled to see, you know, how quickly. The fact that we've produced, that we've started working with something like MCP really quickly, also shows, like, how quickly we intend to adapt, and I think everybody's thinking through this.

Philip Moyer: We just released an AI curriculum, pretty extraordinary, K-12 AI curriculum that we've produced since I've been here. We've worked with a really amazing partner. You know, we are working on how do we integrate AI in appropriately, you know, wherever we're at.

Philip Moyer: I'm coming into a company that also has a great foundation. Like, we have some extraordinary people that have been working on AI, working on things like academic integrity, really intense machine learning talent inside of the organization, which comes back to that proficiency topic.

Philip Moyer: really world-class people. So I came in, and, you know, you're not sure, you gotta get into what the technical talent is. I'm very, very impressed here.

Philip Moyer: Now, as an organization, there's a whole variety of things. We've said our job is to think about all 1.4 billion students in the world and think about them for their entire life.

Philip Moyer: Our job is to also think about the 200, 300 teachers around the world, and then also even the parents and the caregivers that work with the students, to really make sure that we think holistically about the entire education market.

Philip Moyer: With that being said, you know, we've said, okay, how do we create content that's fresher? How do we make sure that it's landing? How do we create in a language that's appropriate? How do we make sure that our imagery is culturally appropriate? How do we make sure that, you know, that we're serving as many students as we possibly can?

Philip Moyer: And so, one of the big adoptions that we're working on right now in AI is how do we accelerate our content supply chain? That is, it's like an ERP system for an automobile manufacturer. Our content supply chain has to be the best in the world.

Philip Moyer: So there's a lot of focus around that topic. The big data and analytics I mentioned, we've got some extraordinary assets. Hundreds of thousands of school regulations around the world.

Philip Moyer: that we have, an entire database of, and that we understand the pedagogy and the preferences, of those hundreds of thousands of requirements. The 190 terabytes of data, you know, our team is... really works on weaving

Philip Moyer: that data and understanding that... those proficiency journeys, and then the personalization tools, just a few that I've talked about. You know, the team is working on making that learning experience for both the student and the professor, ensuring that something like with Sharpen, you know the professor knows which students actually looked at the flashcards the night before.

Philip Moyer: We just launched Chiron with Chiron Learning, a tool where you have an avatar of a professor, and you can ask questions at night, if you're a student. It gets used most frequently between 11 and 3 a.m. in the morning, and then professor wakes up and sees what questions were asked the next day. And so.

Philip Moyer: We've got these just beautiful pockets of innovation across the company. We're using it to get more and more efficient. We're using it to serve more learners.

Philip Moyer: And ultimately, I, you know, I would tell you that I'm really excited to see McGraw-Hill as a learning company, as much as we, you know, serve learners.

Steve Koenig: Yeah, yeah. Well, that's great. That's great, Philip. I want to thank you so much for being here and, and, chatting with me and, and answering the questions from the audience. If anyone, wants to,

Steve Koenig: follow up, and if there's more questions, or you want to get connected with McGraw-Hill, just feel free to send me an email. So, with that, I'm going to thank you, and will, bid you adieu, and looking forward to our next learning interaction.

Philip Moyer: Steve, thank you so much.

Steve Koenig: Thanks all.