Company Name: McGraw Hill, Inc. (MH)
Event: 21st Annual Needham Technology, Media, & Consumer Conference
Date: May 14, 2026

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

Good afternoon, everyone, and welcome to this next session on day three of the 21st Annual Needham Technology, Media, & Consumer Conference. I'm Ryan MacDonald. I lead Needham's edtech research efforts here at the firm. Today I'm pleased to be joined in this session by Philip Moyer, McGraw Hill's new CEO, for this fireside chat. Philip, thanks for joining me today.

<<Philip Moyer, President and Chief Executive Officer>>

Absolutely, Ryan. Thank you so much for having me today.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

Absolutely. And for those of you who are joining us, virtually, thanks a lot for tuning in. Like I mentioned, it's a fireside chat, so we've got about 40 minutes. I've got a number of questions that, I'm going to run through with Philip, but if you do have questions for him, please put them in the chat. We'll make sure to get those asked and answered before we leave today. But with that, Philip, let's get started. For those who are new to the McGraw Hill story, how about a brief overview of the business?

<<Philip Moyer, President and Chief Executive Officer>>

Sure. So McGraw Hill is a pretty extraordinary company. It's about 137-year-old company, and we do business in about 100 countries around the world. We have over 26 million digital users, that's just the digital users alone. Close to about 100 million licenses of content around the world. We get about 19 billion learning interactions across all of our digital products on a yearly basis and we have 60% recurring business. We are in most of the schools in the United States in some way, shape, or form. A significant number of schools throughout Latin America, throughout the Middle East, throughout Europe.

And then we like to say that we go – that we serve the K-through-Gray learning audience, which is significant, as I mentioned, a significant portion of the K-through-12 schools. Very, very significant portion, I think our – well, last fiscal year we had about 30% market share in the higher ed space, and then we have served a significant amount of the medical schools around the world as well with our medical curriculum. So very broad range. One of the few organizations that has the breadth of us in the world in terms of touching learners and educators.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

Absolutely. Now, Philip, you bring quite a bit of a different perspective to McGraw Hill relative to your predecessor, who essentially spent his career in education. Can you share a bit about your background and with the audience and talk about what was compelling about

the opportunity to come over to McGraw? And how does your previous experience help you in your new role in leading McGraw Hill into an AI era?

<<Philip Moyer, President and Chief Executive Officer>>

Absolutely. I started my career as a computer scientist, writing software for nuclear submarines, and did a small startup prior to joining Microsoft in the very early days of Microsoft. The startup was actually in the special education market. So I had I like to say I would write the code at night and drive around during the day, selling to educators. So this is not my first turn inside of the education market. But throughout my career, I spent a fair amount of time at Microsoft in a variety of leadership roles. I spent a lot of time as well in Amazon Web Services. And then most recently at Google, I was in – one of the Vice President of Engineering in their Applied AI engineering teams.

I also worked at Vimeo. I was recently the CEO of Vimeo. And I had been the CEO of EDGAR Online as well, so two other publicly traded companies. I like to say that I have spent most of my career at the intersection of technology and customers, and actually the last mile of technology in particular. So I've seen how hard it is to take new technologies, whether or not it was the PC, whether or not it was the internet, whether or not it was big data, whether or not it was SaaS, video technologies, into the last mile of customers, whether or not it was in healthcare, inside of financial services, a lot of regulated industries.

And so my experience in both building technologies, serving customers, and then also really innovating at the very edge as each one of the major generations of technology came about. And so in education, in bringing that into education, I think that there is a really incredible moment in time right now in terms of an inflection point for education. And I really am excited about the ability to be able to bring technology, make it very human-centric, respect the fact that that last mile in education is extremely difficult but also really, I understand as well how to help organizations adopt at scale, very – the next generation of technologies.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

Yeah, absolutely. Like you said, you're not completely new to the education industry, but I guess what have been your early impressions of the company so far, and then as well as the current state of the broader education industry?

<<Philip Moyer, President and Chief Executive Officer>>

Yeah, arriving as a technologist, into 137-year-old company, you're immediately the very first thing you're drawn to is, how is the technology? What's the infrastructure? What's the pace of innovation? And one of the things that I've been most impressed about, and I mean most impressed about, is the use of data and the innovation that's already occurring inside of the business. Now, we have over nine AI-driven products, and we have a really deep, deep history of doing machine learning and data-driven analytics to be able to support the learner.

We've got technologies like ALEKS that are one of the most respected products. I was down in Latin America and all I was heard – kept hearing was bring ALEKS to even more of the curriculum in more of the countries down in Latin America. And ALEKS is a product that is 100% data-driven to be able to help a learner be able to learn the hundreds of learning

objectives in something like Algebra 2 or inside of calculus. So the innovation that this organization has been producing has been really extraordinary.

Things like the Evergreen model, the ability to be able to constantly keep our content up to date. Most people think of a curriculum company like McGraw Hill in terms of books, but the reality is we're producing content literally every single day. We have an instructor down in Johns Hopkins. She has 4.5 million followers around prostate cancer, and she puts out a podcast every single week, and she's one of our authors, and also we commissioned that podcast and so we're bringing really what I would call really new forms of media to the education industry. So the innovation, the AI, the data and analytics is really extraordinary.

The second thing that really struck me was the relationships in the go-to-market organization. This is an organization that is unmatched, I believe, inside of the education industry in terms of the relationships that we have around the world. I've had an opportunity to work for a lot and of organizations that have great sales teams, Microsoft, Amazon, Google. I'm going to have to tell you, the work that we're doing here is world-class. We're using the most cutting-edge technologies to be able to target which customers to call on.

We're doing the kind of work that you would expect in terms of surfacing opportunities and close rates and managing our outreach with artificial intelligence, and so really impressed by that go-to-market organization. But most importantly, education is local. It is today, when you're selling to Texas versus selling to California, Florida versus Oregon, the requirements are completely unique right down to the ZIP code level. When you go into the university, it's right down to the professor level.

And we have a better understanding and better organization that is out touching professors and educators in every single one of the ZIP codes that we call on, and we have this deep, deep understanding of what the unique requirements are or what the unique preferences are. And we also have the services team that backs that up to be able to integrate directly into curriculum or actually collaborate around syllabus. And so our understanding of the requirements of this industry and the ability to be able to take things to market is just, I consider it to be the best in the industry.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

That's amazing. No, it's great to hear. And obviously, it sounds like it's already been a quite a busy time since you started with the company, and you're interacting with different aspects of the organization and customers. But what have been your sort of top priorities within the first three months as CEO, and are there any notable opportunities that get you really excited?

<<Philip Moyer, President and Chief Executive Officer>>

I've spent a lot of time out with customers. I've been in classrooms. I've spent time with students, with principals, with provosts, with university administrators, a lot of individuals that are inside of the industry, a lot of time with team. I've spent over 40 hours getting demonstrations of every single one of our products, so I've been here for roughly about 100 days or so. And so for me, very early on in my career, I learned that being customer-oriented and being out and hearing directly from the customer about what's working and what's not is absolutely essential for any leader in any business and so I've 100% prioritized being out with customers and hearing firsthand.

I could not be more proud, I have to tell you, of being a part of this organization. It's one of the most respected brands inside of the industry, inside of all of education. It's trusted for the content. The way that we curate, the way we listen, the way that we focus on outcomes has been really critical. And increasingly, what I'm also hearing from schools in the K-through-12 space, from universities as well as medical schools, is the outcomes orientation.

There was a great article this past week in The New York Times around what's been happening in literacy and about the decline in what's going on in literacy. And increasingly, every single superintendent, every principal that I'm speaking to, I'm seeing scorecards. I'm seeing we need to be able to improve math scores. We need to be able to improve reading scores. They're looking for this ability to be able to assess themself and actually accelerate statistically, and also to ensure great comprehension from students, not just test-taking, but true comprehension.

In the university setting, I'm hearing an incredible focus around not just teaching, but ensuring a great outcome from a career perspective, that the degree is actually turning into something that's tangible for the individual post-university. In the medical school, how do we make sure that dropouts, that we're able to reduce dropouts and that we're able to start meeting the massive need that exists inside of the medical industry for doctors and nurses? And so this outcomes focus has been really clear front and center. And what I'm excited about as well, inside of McGraw Hill is that we hold ourselves to those standards.

We send so much of our curriculum through third-party testing. As an example, we're in the process of releasing this really cutting-edge English, this ELA, this early literacy program that is based on the science of reading, and it's going through its testing right now. We as a organization that serves educators, it's not just enough to park somebody in front of a computer and say, here's something that gamifies the experience.

You actually have to be able to deliver outcomes across a massive population and even across teachers that have a wide variety of skills and so you have to be able to develop those teachers. You have to make sure that you have efficacy, that you're building curriculum that speaks to every student and every teacher that you serve. And so it's been pretty incredible for me to see not just the movement towards outcomes, but also the way McGraw Hill is really front and center in the outcomes orientation.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

Amazing. Yes, I want to talk about AI because obviously it's been a constant topic of discussion, especially within the education ecosystem. It was great to see you highlight your perspectives in the recent Fortune thought piece on why AI won't replace the need for teachers. I think that's a great level set for investors who assume that AI is going to hurt the education industry, let's say, disrupt the status quo. But to play a little bit of devil's advocate here, education and education technology have a bit of a perception problem right now, right?

The test scores have been on the decline since the pandemic, despite growing in tech usage. Teachers are seemingly still forced to focus on to teaching to the middle versus being truly personalized. And so you could argue that maybe education needs disruption, and perhaps that needs to come from the LLMs. So I guess the question is, how do you facilitate AI disruption from within the existing framework of the education ecosystem at McGraw Hill?

<<Philip Moyer, President and Chief Executive Officer>>

I have to say this has been, I've been through so many generations of technology with this exact same hype. I remember when MSN and AOL were released, they said, this is the death of branch banking and that all financial services was going to go away, and we were going to get all of our healthcare from WebMD. There's been these prognostications about the elimination of humans throughout time and that technology can do such amazing things that it's going to disrupt every single industry.

Look, I was part of the team that was building the AI at Google. I foundationally believe the LLM, the generative pre-trained transformer, it's a wonderful algorithm. It really does a great job of organizing information and discovering patterns and being able to produce information. But it's just that. It's an algorithm. And quite frankly, it's a very static algorithm. Once trained, it is actually the exact same. And you have to do a whole lot of things to really make sure that industry by industry, whether or not it's advising in financial services, whether or not it's advising in the debt markets, whether or not it's advising around healthcare, whether or not it's advising around how to learn algebra.

It requires a great deal of hands-on training, fine-tuning, and I'll say guardrails around the technology, which is exactly what is the huge opportunity for the entire technology industry, is to be able to build these wonderful industry-specific artificial intelligences. And so I look at artificial intelligence as yet another wonderful technology that we're going to be able to do and use here at McGraw Hill. And we intend to use it really in three specific ways. First and foremost, we actually believe that the amount of knowledge, and we you can see this, the amount of knowledge that humans have and that we're managing today on planet earth, it's doubling almost every single year.

And so the need for education to stay fresh, as we get into nanotechnologies, as we get into synthetic biologies, as we get into autonomous vehicles, as we get into quantum computing, the number of trillion-dollar industries that are about to be coming at us, the healthcare industry, the things that we need to solve, and the amount of knowledge that we need to learn is accelerating rapidly. We as educators and individuals in the education industry have to be able to take the most current and freshest knowledge and be able to turn it into a pedagogy, a way of learning for a student and so AI for us really is going to be able to help us create content faster.

We have a model that's called Evergreen, and we innovated this, and it's innovations from both a content delivery perspective and a business model, which is that we're constantly releasing new content to university professors, and they can choose, they can click to literally adopt it into their syllabus, and be able to have the most current case studies or the most current information as it relates to biology as an example. And so Evergreen is this great example where we're constantly producing information. The podcast I mentioned, constantly producing information.

So McGraw Hill is going to be an organization that is an always on, always producing content, always curating the most current information and turning it into a way of learning that particular subject and so that's one really amazing way that we'll use AI. Proficiency, or what we call Precision Learning, being able to truly understand comprehension, it's a really critical thing. We've been having a lot of people take test scores, and we've been teaching

literacy what we consider to be the wrong way, over the past roughly about 20 to 30 years, and that's showing up now in scores.

But along the way, if you had true proficiency, a true understanding of the student, you'd be able to have detected challenges much earlier on and actually be able to detect those challenges longitudinally and so we have terabytes of learning data. As I mentioned at the start, we have over 19 billion learning interactions per year that we're ingesting that data and understanding learning or not learning. So understanding proficiency, and who's learning, and where they're at in their learning path is the second really important area where we use both AI and machine learning.

And then the third is really in this area of what we call, personalized tools, and that's some individuals like to listen to podcasts, some individuals really need to be drilled with flashcards, some individuals need to have some gamification. And so we'll deliver these tools, but the really important thing is that we're also connecting it back to the educator. So when we are presenting things like flashcards, we're also showing the teacher, this is the individual that's struggling in a class, or here's somebody that's overly confident. And so tools that actually personalize the experience for the teacher to be able to create new learning aids, or new study aids, and also for the student to be able to ensure that they're able to learn in the way that they want to, is the third area that we're going to be using artificial intelligence.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

It's amazing. I mean, it definitely sounds like with that combination of the data that you have, the content, and then building the AI tools on top of that, it really creates a defensible moat against just a general large language model over time. I mean, can you talk about how you're starting to see some students and teachers use some of these AI innovations within the McGraw Hill products today, and are you seeing that have a positive impact in terms of on active usage or retention? How are you thinking about the metrics there?

<<Philip Moyer, President and Chief Executive Officer>>

Sure. I would say, AI Reader is a great example, and ALEKS Adventure. AI Reader is a tool that is used across our entire curriculum. You can now do it in over 38 languages. You're also able to – you're able to get more clarification, you can say, explain this to me as a third grader. And so it's a way of keeping the content, I'll say keeping our content, using the best of AI, but keeping it in a walled garden so that it's not hallucinating outside of the text of the content that a teacher is focused on.

Our ALEKS Adventure tool is a great example, where we had a roughly about a 25-point increase in first graders that used ALEKS Adventure. And we had over a 55-point increase in second graders that were able to use ALEKS Adventure. Virtual Labs is a great example as well, where we're now up to over 109 different topics, different labs that we do across a whole variety of disciplines. Things like chemistry and biology and being able to draw blood or be able to take blood pressure in 14 subjects in 109 different categories.

Few of the other areas that we're really excited about as well. We have ALEKS Algebra. ALEKS Algebra, just kind of give you a perspective of how difficult algebra is. In Algebra 2, you have about 586 skills that you have to learn. And so in any given point in time, a student has 2 to the 586 number of potential learning states. And we're able to take, in the course of a

few weeks, a student that has almost minimal, like let's call it like just, 8 to 10 of the skills, and be able to raise them up to full comprehension of Algebra 2, using ALEKS, our ALEKS tool for Algebra 2. It's this great example of precision learning.

One of the exciting things about it is that we have classes, where this, the teachers are actually taking what we call the ALEKS pie chart. So as you learn, it kind of blooms across the pie chart, and there's different sections of each of the pie chart of what your skill set is. And literally, the teacher is putting the pie charts of all the students up on the board. And the goal is by the end of the class, at the end of the semester, that literally everyone's pie chart is filled out. And so you've got students that are working with students, teachers that are working with the students, and a pretty incredible collaboration around this idea of precision learning.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

Yes. No, it's really impressive on some of the metrics there and great to see some of that innovation flow through. Maybe to shift to talking about some of the segments of the business and maybe starting with K-12, as it's obviously a very important segment for the McGraw Hill business overall. Could you start off with some background and context on the science of reading? It seems like it's a big major shift in ELA and sort of how is that different from the prevailing ELA curriculums today. And why is it so relevant for the broader education industry and McGraw Hill in particular?

<<Philip Moyer, President and Chief Executive Officer>>

First of all, I encourage everybody to do two things. One, read the New York Times article that just came out. And it was almost across the board, every single state, almost every single state in the entire United States has significantly declined in literacy. Now, literacy is at the root of so many societal problems. There are – you can tie it to incarceration, to drug use, to depression, to a whole variety, to economic mobility. Literacy is literally at the core of our society and our ability to be able to do it well is a critical societal initiative.

And I think a lot of individuals are waking up that over the course of the past 20 or 30 years, we've been teaching in what's called kind of a whole language approach. The study of – I'm sorry, The Sold a Story is a podcast that any investor that's considering looking at McGraw Hill should just take a listen to. It came out a couple years ago and it talked about the fact that that the core foundation upon which we were building literacy and actually teaching literacy over these past 20 to 30 years has turned out to simply be wrong.

It was originally designed around people that had specific learning disabilities, and it'll – and you taught essentially looking at pictures and trying to associate words with pictures, as opposed to the way a lot of us learned, which was basic phonetics, actually sounding out the word. And so there is a significant movement that's happening right now, especially post this Sold a Story podcast and what's been coming out to move back to this phonetic-based learning mechanism, which is what's called science of reading. It is really profound. I cannot tell you, as this started coming out, it's literally changing the entire world of literacy and learning, and hopefully the results are going to speak for themselves.

Mississippi, you'll notice inside of the New York Times article, was one of the few states that actually increased their ability to do literacy. And they not only increased it, but they went

from 47th in the United States to seventh in just seven years. And they were one of the few states that mandated an approach of science of reading along with some good professional development. So really, really profound change that's occurring right now. And I do mean right now, inside the United States, I think everyone is waking up to this as the way that we should be teaching.

What I'm really excited about is that we have been ahead of this. We have invested close to $100 million in a brand new literacy program that we're bringing to market right now. Could not be more excited about what the results that we believe that this can produce for the company. But Science of Reading and what we call our new Emerge product is a very important launch for us this year.

Just to kind of put this in perspective, in our K-12 business, ELA, our literacy program, is roughly about 40% of our K-12 business. Our previous product, Wonders, was about a $1.5 billion product for us over the course of about 10 years. But what we're seeing right now and the excitement around Emerge and this new literacy program, we're really excited for the full launch of it.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

That's awesome. And just for context, like how early are we in the science of reading adoption cycle generally across the states? Obviously Mississippi was an early adopter, but I imagine we're still pretty early.

<<Philip Moyer, President and Chief Executive Officer>>

Yeah, we're very early on in most states. Exciting thing, I can't really – before earnings, but I would encourage you to kind of pay attention to school districts around the country. There's been a lot of recent announcements around literacy and about both starting programs and also about awarding programs. And so we also do believe that we're headed into a supercycle as a result of this, something that's kind of almost like pulling every single school into the cycle that's we believe – as I think science of reading gets momentum, it really could change education across the United States, quite frankly, around the world.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

Yeah, compelling opportunity for sure. And then as we think about sort of the upcoming school year, obviously within K-12, there's obviously large state buying decisions. For this year there's one in Florida, there's Texas Math, there's California Math. Can you just talk about some of the dynamics that you're seeing in some of those markets? It sounds like in Texas, there's a state-developed OER called Bluebonnet that's maybe having a little bit better adoption than initially expected. And in California, it sounds like there's maybe some shifting spend both given the multi-year magnitude of the adoption cycle. Just any comments around like what you're seeing in some of those markets.

<<Philip Moyer, President and Chief Executive Officer>>

Sure. So I have to remind, I have to say it or else my attorney would remind me afterwards. We release our earnings on June 11th, so I don't want to pre-announce anything at all, but I'll kind of talk generally. So Texas is a state that decided to produce some of its own curriculum.

It's called Bluebonnet. It's based on what's called an open – almost like open source curriculum, OER is the acronym for it. And it's open educational resources.

And Texas has been doing a lot of – I'll say they've been doing encouragement of their schools. And many schools are taking a one-year license to the Bluebonnet technologies. Generally, when somebody does a license with us, they're doing three, five, in some cases as much as nine to 10 year licenses. So these are usually much longer. And so we're seeing very short licenses where they are – where Bluebonnet is taking hold. We do believe that this is, I got to tell you that there's a very vibrant economy around creating great curriculum that is like highly motivated to keep it fresh and keep it culturally sensitive state by state.

And so, we'll see how that turns out. Most recently, I think a couple states that were considering doing the same actually decided not to. There was roughly about 4,000 errors that was discovered in Bluebonnet recently as well in their math program. And so I think we'll see about kind of where Texas goes. We're pretty happy with a lot of the relationships we have in Texas, and we're going to be supportive of schools regardless of what they choose. And so we'll kind of watch how Texas plays out.

California, California has made some decisions. They pulled forward some of their math decisions by a full year. And so we're seeing the cycle start to play out right now. We're seeing some wins, we're seeing some losses, we're seeing some push of decisions. And so it's too early for us to really predict right now, and we'll be definitely saying more about it as we get into the earnings season. But just in general, as I'll say it again, we've been very pleased with some of the early responses that we're also seeing just in our ELA program around the country.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

That's great. And as we continue to see an evolution within sort of content curriculum systems within the K-12. Where I think the industry is shifting from is one that was very heavily siloed into individual platforms and with custom integrations into one that's much more open and collaborative. And I think the best example of this is sort of the recent collaboration you announced with Renaissance Learning. Can you just talk about sort of a little bit more details and what's entailed in the collaboration and how it fits into your broader vision strategy for McGraw Hill Plus?

<<Philip Moyer, President and Chief Executive Officer>>

Such a great question. We've got – I think that we estimated that the average K-12 school has roughly about 2,400 tools. Now, if you can imagine adding AI to all those 2,400, you're going to end up with literally thousands and thousands. So, there's a lot of tool fatigue. And then what's worse than tool fatigue is that you don't completely understand for the student, what they're proficient at tool to tool to tool to tool to tool. And also from a teaching perspective, you have to change context. There's a cognitive load and there's a relearning to be able to say, okay, they're saying the student is proficient in this area, but when we get into intervention supplemental materials, they're not. We're getting a different reading.

One of the visions that we have, this comes back to this idea of precision learning, is the notion of a longitudinal learning record. In the same way that you have a longitudinal health record, we believe that there's an opportunity for a longitudinal learning record. Our

relationship with organizations like Renaissance, it's a really great example where we expect – one of the things we're doing is we're making our longitudinal record open, something that can receive information from other curriculum, from other assessment types, as well as our own assessment types.

What's so different about this is that most of the other tools that are on the market kind of teach to the test. Is it pass or is it fail? There were some articles that came out recently about some other tools that it's either pass or fail, but it really doesn't tell the teacher or the student what they're good at or what they're bad at. And this is one of the core things that I'm really excited about, and I was so impressed with in terms of our use of machine learning inside of the K-12 business, and also even our data infrastructure.

Like, we have combined to have a true student record inside of our K-12 business in the same way as I mentioned the health record that's a hard problem across so much curriculum. We also have centered all of our learning objectives. And when you go into the education industry, there's hundreds of thousands of learning objectives across thousands of schools. It can be as much as thousands of learning objectives, and there's 14,000 school districts. And you have to be able to say, are they meeting these objectives? Are they not? And then what's their proficiency in meeting these? And so the data infrastructure we've built is open and it's also longitudinal and it's also, I'll say, very deep in being able to explain the proficiency back to the student. So really exciting opportunity for us with these third-party assessment tools.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

For sure. Let's probably shift to higher ed before we run out of time as well. But this has been a real area where McGraw-Hill's really seen the most material market share gains over the past few years. You've already mentioned evergreen model as a really unique innovation for the business, but can you just talk about what the company's done well in higher ed and the role that the evergreen model's played, as well as inclusive access in your recent success?

<<Philip Moyer, President and Chief Executive Officer>>

Sure. I think that a lot of people that look at textbooks or curriculum inside of the university setting have this outdated model of $500, $1,000 textbooks. And it's a really challenging space to be in and you update these things maybe once a year. And as we've moved into the digital world, so first of all our technologies around Connect allow us to be able to serve most of our content digitally. And so first and foremost, the entire – most of the universities that we serve, with the exception of a few internationally, they're primarily digital.

Now, the second thing though is that there was a really significant, I'll call it rebuff of the industry when the price was going up and up and up. Today, curriculum is less than $0.02 of every dollar in the education space. And so pricing has really dramatically leveled out at what we believe to be a pretty sustainable level. But what's really exciting for us is we've also done what we call inclusive access. And inclusive access is now able to roll the cost of your curriculum across what would consider to be your books directly into the tuition. We're up at roughly about 60% of – I'm sorry, about 2,000 campuses out of the 3,500 campuses that are around the United States. We're adding over 100 campuses per year. And so, we're really excited about this idea of making education more affordable, making college more affordable, making sure that everyone has access to the same materials and then always

making sure that that content and that information, the curriculum is as fresh as it possibly can be.

So inclusive access was a significant shift and we were one of the first companies to do it along with Evergreen. And quite frankly, that was a really big leap over to a brand new business model that is now sustainable and is significantly growing for us.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

Yes, and with inclusive access in particular, when you win and get into a new university, you're not going university-wide right away. So can you just even speak to sort of like the runway for growth within just the existing universities you're at for inclusive access based on that sort of class-by-class expansion?

<<Philip Moyer, President and Chief Executive Officer>>

It's such a good point. We generally will get into a university, we'll get a university and it'll start with one to two professors and then you quickly get up to 2,500s, in some cases even 1,000s. And so when you look at the business, we have this opportunity both for overall just I'll say penetration of the student body so that the students are actually using it and also penetration inside of classes and then also penetration across all universities. So we really, it's one of the things that's actually driving some of the great growth inside of our business.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

Absolutely. And obviously we're getting into the summertime and end of one school year and we start obviously thinking about into the next school year. And so as we think about fall 2026, calendar 2026 enrollments, we're starting to see some compelling early FAFSA data indicating that as of end of April, there's about a 12.5% year-over-year growth in the completions of those applications. Given that historically 90% of students that fill out a FAFSA form enroll in college, how are you thinking about what enrollment growth could look like in higher ed for the upcoming school year?

<<Philip Moyer, President and Chief Executive Officer>>

It's not a perfect indicator.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

Not a perfect indicator.

<<Philip Moyer, President and Chief Executive Officer>>

But we're excited about it as well. In the past years, we've actually outgrown both enrollment and also that a number of other indicators. And so we can tend to outgrow just because of some of the dynamics that I talked about, both in terms of things like inclusive access, the evergreen, some of the new technologies that we're bringing. So that growth that's a great thing to us. And I would just tell you that there's been just a recent study that came out stating, I think it's on the order of about 80% of parents and students view a college education as essential and a positive thing.

I don't know of anyone that says that they'd like to trade their college years. So, I still – I get questions from time to time, "Is a college degree going to be a thing?" I can confidently definitely say yes, it's going to continue to be a thing. And especially on people's investing horizons that are on this call right now.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

That's right.

<<Philip Moyer, President and Chief Executive Officer>>

And so, very excited to see those statistics. I just returned from travel down in Latin America. And I really encourage you to also look at the statistics that are occurring down in Latin America. There is a rapidly growing middle class. And as a result of that growing middle class, and also over in the Middle East, rapidly growing middle class. And as the middle class grows, one of the first things they do, either they get themselves more educated or they get their children more educated. And so we're seeing extraordinary signals coming out of Latin America as well as the Middle East. And so when I look at the education industry and higher ed in particular, I think globally because it's such a vibrant and growing community around the world. And so that's also exciting to us.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

That's awesome. No, no, I will throw the disclaimer out there for those listening in that, we are seeing more states require all students to fill out FAFSA forms. So I actually expect that 90% 100% conversion on the completion to enrollment probably comes down a little bit over time, but at least it's a promising start to, I guess as we approach the new school year. But if we think about and take a step back and fast forward five years, like how should we envision the education industry looking? What do you think some of the biggest areas of transformation that are going to take place? And how does McGraw-Hill evolve to remain sort of the leader within the industry?

<<Philip Moyer, President and Chief Executive Officer>>

I think that, as I said at the very start, I think that the education industry is becoming much more outcome-focused. I think that in the past you would kind of buy something and hope five to seven years from now it was the right thing. Not that you didn't do a lot of research, but I think that just like it is in, in any single industry, I would tell you that it's becoming a little bit more like Moneyball in terms of they're using – they're much more statistically oriented. They want to see the proof of efficacy of how you're teaching? What you're teaching, and the content itself? and even comprehension of the student.

So outcomes orientation is not just a fad. It is literally the new way that education is doing business, whether or not it's getting the job, a great job filling the requirements that you need in the medical industry, or whether or not it is ensuring that somebody is comprehending Algebra 2 or comprehending in literacy. Outcomes orientation is going to be the bar that all edtech and education is held to. That's going to mean, quite frankly, there's going to be a graveyard of edtech companies that really can't do their outcomes at scale. And that is – we're

already seeing that's happening. Gamification is nice. It doesn't necessarily prove that you comprehend.

We're also seeing Screen time. There is a, right now, I'll say a rebuttal to the use of screens. And so, and I think that too much screens can lead to not great outcomes. We're seeing that like overstimulation doesn't necessarily lead to overeducation. And so outcomes orientation is going to be critical. I do believe that as we accelerate, there is going to be a requirement, there is going to be an expectation that education companies are fresher and current and ensuring that they're teaching the things that are going to lead to a great life and a great outcome and potentially a great job for students. And so this idea of always on, always producing, and ensuring that you've got great content is going to be important.

That's going to be engaging. The other thing that's going to be really important as well, and this is something I'm seeing across the board, is that the educators want to be a part of the curriculum creation process. Whether or not it's for cultural reasons, whether or not it's for pedagogy, pedagogical reasons, whether or not it's for a particular way that a professor teaches or the way that they need to have information that's culturally appropriate in their country or in their university, that need is becoming increasingly important. And so the organizations that are going to understand those needs and be able to bring together the best content, the freshest content with the best tools and the best understanding of outcomes, that those are going to be the ones that win and the ones that can do that at scale. And I do mean at scale – diverse populations, diverse cultures, diverse learning technology, and diverse curricula.

<<Ryan MacDonald, Analyst, Needham & Company, LLC>>

Excellent. I definitely think that McGraw is obviously very well positioned as the market continues to evolve here, and it's, it's been great having a chance to pick your brain on this conversation to think about the tech approach that you're going to bring to the organization here as you step into the role more directly. So this is great. I really appreciate you taking the time and the conversation today. I appreciate everyone that logged in and listened into the fireside chat as well, but we'll leave it there and I hope everyone has a great day.

<<Philip Moyer, President and Chief Executive Officer>>

Thank you, Ryan.