

STRATEGIC ASSET ANALYSIS

McGraw Hill, Inc. NYSE: MH

“McGraw Hill holds 190 terabytes of proprietary, outcomes-linked learning data and 25.6 billion annual learning interactions — an asset that is structurally difficult for any AI-native competitor to replicate and that is becoming more valuable, not less, as the market matures past the “generic LLM” phase of AI adoption in education.”

An Independent Analysis of Strategy, Competitive Positioning, Financial Performance, and Long-Term Structural Themes

COVERAGE TYPE	RESEARCH DATE	EV / FWD. EBITDA	SECTOR
Independent	June 2026	~5.4x – 5.6x	EdTech / Curriculum

Sector: Education Technology / Curriculum & Content | Sources: FY2026 Form 10-K, FY26-Q4 Investor Presentation, FY26-Q4 Earnings Call Transcript (June 11, 2026), market data and analyst commentary as researched

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1. Executive Summary & Key Findings

McGraw Hill, Inc. (NYSE: MH) is a century-old education content and curriculum company that, since being acquired by Platinum Equity in 2021 and taken public again in July 2025, has transformed into a high-margin, majority-recurring-revenue learning-data platform. Market pricing of the equity is broadly consistent with a structurally declining, debt-laden legacy publisher facing disruption from generative AI. A central analytical question this report examines is whether that framing appropriately reflects the company's evolving business mix, or whether segment-level fundamentals tell a different story. This report approaches that question through the lens of the durable strategic assets the company controls — proprietary data, distribution, intellectual property, management incentives, network effects, structural industry shifts, and capital allocation (Section 2.4) — rather than through near-term price action alone.

During the period under review, at a share price of \$9.48 — below the average sell-side analyst price target identified in Section 11 and below the prior 52-week low — the company traded at roughly 5.4x forward EBITDA and under 1.0x forward revenue for a business generating 80.9% gross margins, 35.4% adjusted EBITDA margins, and approximately 73% recurring revenue. The Higher Education segment, which now represents over 40% of revenue, has produced 40 consecutive quarters of market share gains and 114% net dollar retention — metrics consistent with a best-in-class vertical SaaS business. The K-12 segment, the source of nearly all of the market's current caution, is mid-cycle in a procurement-driven business that management's own data shows is shifting, not shrinking: \$100 million of K-12 opportunity moved from FY2027 into FY2028, not out of the model entirely.

Layered on top of this is a credible, still-underwritten AI optionality story. McGraw Hill holds 190 terabytes of proprietary, outcomes-linked learning data and 25.6 billion annual learning interactions — an asset that is structurally difficult for any AI-native competitor to replicate and that is becoming more valuable, not less, as the market matures past the “generic LLM” phase of AI adoption in education. CEO Philip Moyer, a Google Cloud/AWS/Vimeo AI operator hired specifically for this transition, has equity incentives that require the share price to roughly triple from the levels prevailing at the time of publication before he personally benefits beyond his base compensation — and the 10-K confirms he personally purchased \$1.5 million of stock at \$13.84 per share in February 2026, meaning he was underwater at the reference price alongside public shareholders.

The principal risk is structural rather than operational: McGraw Hill carries \$2.63 billion of gross debt (3.2x net leverage) and remains an NYSE-defined “controlled company,” with Platinum Equity holding 86.4% of voting power and extensive governance rights enshrined in the company's charter. Importantly, a review of the primary 10-K language indicates Platinum's incentives are presently well aligned with minority holders — they are deeply underwater on their 2021 entry valuation and have every reason to want the equity to re-rate before any exit — but the leverage itself creates asymmetric downside if K-12 execution disappoints further, and Platinum's broader fund-level performance pressures (documented across its flagship Fund V) introduce a timing risk that is impossible to fully discount.

This is a multi-year analytical framework built on a literacy-curriculum supercycle, continued Higher Education compounding, and an underwritten AI/data monetization option — not a near-term catalyst trade.

The Durable Case, in One Paragraph

Strip away any single quarter's results, and the durable case for McGraw Hill rests on a small set of structural assets, inventoried in Section 2.4: proprietary, outcomes-linked learning data that no AI-native entrant can replicate by scraping the open web; trusted distribution embedded directly in the academic procurement cycle and course-enrollment workflow; decades of institutional relationships across roughly 12,000 school districts and 3,300 Higher Education institutions; intellectual property now being tested as a licensable asset rather than a purely defensive one; and a management team whose personal incentives are directly tied to converting those assets into AI-enabled learning workflows. Whether that combination is sufficient to justify a structurally different valuation than the market currently assigns — and whether it would still hold up a decade from now, after several more curriculum and technology cycles — is the underlying question the rest of this report is built to help a reader answer for themselves.

2. Company Overview

McGraw Hill traces its roots to 1888, when James H. McGraw purchased the American Journal of Railway Appliances; the McGraw and Hill publishing houses merged in 1917. The modern corporate entity is considerably younger than the brand: McGraw-Hill Education was sold by the original McGraw-Hill conglomerate (which became S&P Global) to Apollo Global Management in 2013 for approximately \$2.4 billion. Apollo attempted to relist the business twice (2015, 2018) without success and pursued a merger with Cengage in 2019 that was terminated in 2020 on antitrust grounds. Platinum Equity acquired the company from Apollo in 2021 for approximately \$4.5 billion including debt. McGraw Hill returned to public markets via IPO on July 25, 2025, raising approximately \$415 million at \$17.00 per share (below the marketed range), with Platinum retaining roughly 86-87% ownership immediately post-offering.

Today, per the FY2026 Form 10-K and FY26-Q4 investor materials, the business is organized into four reportable segments:

Segment	FY2026 Revenue	YoY Growth	% Re-occurring	% Digital
Higher Education	\$879M	+12.3%	84%	91%
K-12	\$884M	-8.9%	70%	49%
Global Professional	\$150M	+0.3%	66%	71%
International	\$187M	-7.3%	47%	52%
Total Company	\$2,103M	+0.1%	73%	68%

The headline total-company growth figure of +0.1% may not fully reflect segment-level dynamics for a casual reader, and is likely a contributing factor to the divergence between the market multiple and segment-level fundamentals: it masks a 12.3% grower (Higher Education, now the largest segment) being offset by a cyclically depressed K-12 business working through a procurement air pocket, not a structural decline.

Key scale metrics disclosed by the company (FY2026, per investor presentation):

- 100+ million active student and educator curriculum licenses across 100+ countries
- Tens of thousands of titles spanning 500+ subjects
- 190 terabytes of proprietary learning data
- 25.6 billion annual learning interactions
- Products used across roughly 12,000 U.S. school districts and approximately 3,300 Higher Education institutions
- Headquartered in Columbus, Ohio; approximately 4,200 employees

2.4 Strategic Asset Inventory

Before turning to financial performance and valuation, it is useful to separate the durable, structural assets McGraw Hill owns from the cyclical results those assets happen to be producing in any given fiscal year. The categories below are the lens applied throughout this report — proprietary data, distribution, intellectual property, management incentives, network effects, structural industry shifts, and capital allocation — each cross-referenced to the section where it is examined in depth.

Strategic Asset	What McGraw Hill Owns, and Where It Is Examined
Proprietary Data	190 terabytes of proprietary, outcomes-linked learning data and 25.6 billion annual learning interactions, accumulated over decades and not replicable by scraping the open web (Section 5.1, Section 5.3)
Distribution	100+ million active licenses across roughly 12,000 U.S. school districts and 3,300 Higher Education institutions; Inclusive Access embeds the company directly into the course-enrollment workflow rather than competing for discretionary purchases (Section 4.1)
Intellectual Property	Tens of thousands of titles across 500+ subjects, currently positioned in active Meta litigation as a scarce, legally defensible licensing asset rather than merely defensive copyright (Section 5.3)
Management Incentives	CEO PSU vesting hurdles at \$28/\$32/\$38/\$40 per share plus a personal open-market stock purchase create alignment that is unusually strong for a recently-IPO'd, sponsor-controlled company (Section 9.2)
Network Effects / Switching Costs	Evergreen and Inclusive Access delivery models deepen institutional embedding over time, consistent with 40 consecutive quarters of Higher Education share gains and 114% net dollar retention (Section 4.1, Section 3.1)
Structural Industry Shifts	A 42-state Science of Reading literacy mandate, federal Department of Education restructuring, and the broader commoditization of general-purpose AI models are reshaping the addressable market in ways that are largely independent of any single quarter's results (Section 4.2, Section 10.2)
Capital Allocation	Platinum Equity's operationally-focused "M&A&O" model, an active debt-paydown cadence, and opportunistic open-market note repurchases at a discount (Section 8, Section 6.3)

The remainder of this report develops each of these seven categories in detail. The organizing question is not only what multiple the equity should trade at, but what durable, structurally defensible assets the company controls — and how the market's current pricing does or does not reflect them.

3. Structural Investment Considerations

3.1 A SaaS-Quality Business Trading at Legacy-Publisher Multiples

The most important analytical observation in this report is that McGraw Hill's Higher Education segment, which generated \$879 million of FY2026 revenue (84% recurring, 91% digital), exhibits metrics that would not look out of place in a vertical SaaS prospectus: 40 consecutive quarters of market share gains, share approaching 31% per MPI, 114% net dollar retention, and record customer satisfaction and Net Promoter Score in the most recent selling season. The segment's Evergreen delivery model (continuously updated digital content) now represents 68% of Higher Education revenue, and Inclusive Access represents 56%. These are retention and engagement dynamics, not one-time sales transactions — and yet the equity has traded at roughly 0.85x forward revenue, a multiple far closer to a declining print business than a compounding digital platform.

3.2 K-12 Weakness Is Procurement Timing, Not Structural Decline

K-12 revenue declined 8.9% in FY2026 and management guided to the low end of its historical 25-30% capture-rate range for FY2027. The market has read this as deterioration. The primary-source evidence argues otherwise: management was explicit on the earnings call that the \$100 million California math opportunity shift was a timing recalibration, not a loss — the dollars moved from FY2027 into FY2028 as large districts deferred decisions amid a fragmented 26-vendor field, with 80% of the California math market still uncalled as of the call date. CFO Bob Sallmann explicitly told Toni Kaplan (Morgan Stanley) on the call: “There is no meaningful reset, any meaningful change” to the broader multi-year K-12 framework.

More importantly, the company is entering what management and several sell-side analysts have independently characterized as the largest curriculum refresh cycle in a generation: a nationwide Science of Reading literacy mandate now adopted across 42 states. Literacy represents approximately 40% of McGraw Hill's historical K-12 revenue. The company has invested over \$100 million since 2021 in its next-generation Emerge!, Summit!, and Soar! literacy programs, has already scored highest on Colorado's instructional materials rubric, and has won large districts (Seattle, Kansas) where it historically had little to no penetration. CEO Moyer's framing on the call — that the company is “in year zero” of this opportunity — is a credible characterization of an underwritten, multi-year tailwind that the current quarter's K-12 numbers do not yet reflect.

3.3 The Data Moat Is Real, Proprietary, and Increasingly Valuable in an AI World

McGraw Hill's 190 terabytes of data and 25.6 billion annual learning interactions are not a vanity statistic; they represent decades of outcomes-linked, standards-mapped instructional data that no AI-native entrant can replicate by scraping the open web. As generic large language models commoditize undifferentiated content generation, the value of domain-specific, pedagogically sequenced, outcomes-validated data increases. Management's own disclosed win-rate data — a 6-to-1 win ratio against OER (open educational resource) and AI-generated curriculum competitors in Higher Education — is the clearest available evidence that this moat is currently holding, not eroding.

3.4 Management Alignment Is Unusually Strong for a Sponsor-Controlled Company

Philip Moyer (CEO since February 9, 2026) joined from Vimeo (CEO), prior to that Google Cloud (Global VP, Applied AI Engineering and Business Development), and before that Amazon Web Services and Microsoft — a career built specifically around platform monetization and applied AI commercialization, not legacy publishing. His new-hire equity package, confirmed directly in the 10-K, includes performance-vesting PSUs that only convert at McGraw Hill stock prices of \$28, \$32, \$38, and \$40 — meaning Moyer's incentive compensation requires the share price to appreciate 3x to over 4x from the \$9.48 reference price before any of that equity has value beyond his base pay. He additionally personally purchased 108,381 shares at \$13.84 in February 2026 under the company's stock purchase program — meaning the CEO was personally underwater at the reference price exactly as public shareholders were, which is about as clean an alignment signal as exists in a newly public company.

4. Segment Deep Dive

4.1 Higher Education — The Engine

Metric	FY2025	FY2026	Commentary
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Revenue	\$783M	\$879M (+12.3%)	Largest segment; primary growth driver
Re-occurring Revenue	\$667M	\$734M (+10.1%)	84% of segment revenue
Net Dollar Retention	n/a	114%	Best-in-class for the sector
Market Share (per MPI)	~30%	Approaching 31%	40th consecutive quarter of gains
Evergreen % of Revenue	n/a	68%	Continuously-updated digital delivery
Inclusive Access % of Revenue	n/a	56%	Expands as campuses adopt more courses

Of the 12.3% FY2026 growth, management disaggregated the drivers precisely on the earnings call: roughly 3-4 points from enrollment outperformance (the company's enrollment growth exceeded National Student Clearinghouse's reported 1.3% nationwide figure, attributed to strength in business/science courses and over-indexing to two-year colleges), approximately 2 points of net pricing (value-based selling tied to Inclusive Access adoption), and a one-time 3-point benefit from lower sales returns and an associated reserve release that management explicitly flagged will not repeat in FY2027. Stripping the one-time item, underlying organic growth is closer to 9%, still strong but a more conservative base case than the headline number implies.

Management's FY2027 framework assumes continued share gains plus a more conservative 1% enrollment assumption pending visibility into fall semester start (after Q2). This is a credible, appropriately-hedged guidance posture rather than aggressive promotion.

4.2 K-12 — The Procurement Cycle and the Literacy Supercycle

Metric	FY2025	FY2026	Commentary
Revenue	\$970M	\$884M (-8.9%)	Cyclical decline, smaller adoption-year market
Re-occurring Revenue	\$602M	\$620M (+2.9%)	Grew despite total revenue decline
FY2026 Capture Rate	n/a	High end of 25-30%	Beat expectations in FY2026
FY2027 Capture Rate Guide	n/a	Low end of 25-30%	Reflects CA/TX market dynamics
California Math Opportunity Remaining	n/a	80% uncalled	\$1B market; 20% called in year 1
Literacy (ELA) % of K-12 Revenue	n/a	~40%	Largest subject area; Science of Reading cycle

Two distinct, separable dynamics are conflated in the market's negative K-12 narrative, and separating them is essential to the analysis:

- **California / Texas math:** a genuinely fragmented, undecided market (26 competing vendors bid on California math in year one) where McGraw Hill's win rate is currently trailing its historical average. Management has been candid that this is underperforming expectations and that win rates are “falling a little behind” in the current selling season. This is the legitimate, near-term risk in the K-12 story.
- **Literacy (Science of Reading):** an entirely separate, larger, and currently more favorable dynamic. With 42 states now mandating phonics-based instruction and McGraw Hill's Emerge!/Summit!/Soar!

programs scoring highest on Colorado's instructional rubric, winning previously unwon territory (Seattle, Kansas), this is where the larger multi-year structural driver resides, not the multi-year risk.

A useful comparison: management cited the company's prior literacy franchise, Wonders, as having generated over \$1.5 billion in revenue over a 10-year cycle. If Emerge!/Summit!/Soar! capture even a fraction of a comparable nationwide replacement cycle — now amplified by a far larger number of mandating states than any prior cycle — the long-run K-12 growth algorithm looks materially different from what FY2027's guided “low end of range” capture rate suggests in isolation.

4.3 Global Professional — Medical Education as a Quiet Compounder

Global Professional revenue was roughly flat in FY2026 (\$150M, +0.3%) but masks a healthier underlying mix: digital revenue grew 4% year-over-year, driven by medical content (more than 75% of segment revenue) and early AI-enabled solution traction, offset by a continued, intentional wind-down of non-core print products that management indicated is in its final year. The World Health Organization's projected shortage of 11 million healthcare workers by 2030 is a structural tailwind for McGraw Hill's clinical training and AI-powered diagnostic simulation offerings (e.g., Clinical Reasoning, Boards & Beyond).

4.4 International — Smallest Segment, Temporarily Impaired, Longest Runway

International revenue declined 7.3% in FY2026, with a \$39 million non-cash impairment charge recorded in Q4 related to International goodwill and an indefinite-lived intangible trademark, driven by geopolitical and macroeconomic factors (the 10-K and call both specifically cite Middle East-related disruption, with certain projects shifting into the second half of FY2027). Management's framing of the segment's long-term opportunity — a \$7.3 trillion global education market with growing middle-class spend in Latin America and the Middle East — is directionally reasonable but currently unquantified; we would not underwrite near-term International growth until commercial traction is demonstrated in the next 2-3 quarters.

5. The AI & Data Strategy: Moat or Marketing?

Every legacy company now claims an “AI strategy.” The relevant analytical question is whether McGraw Hill's claim is differentiated and commercially substantiated, or merely narrative. The evidence leans toward differentiated, with appropriately calibrated caution about monetization timing.

5.1 What Is Already Live and Generating Usage Data

Tool	Usage Metric (as of/through May 2026)
AI-enabled tools (aggregate, 8 launched in past 2 years)	7.5M+ users; 3 more launches planned FY2027
AI Reader	57M interactions across 2.4M unique students
ALEKS (adaptive learning)	90%+ topic mastery rate; 50M+ students helped historically
Sharpen (AI study tool)	+47% higher final exam scores vs. non-users (Rowan College case study); 4x engagement
ALEKS Adventure (early elementary)	~25pt 1st-grade and ~55pt 2nd-grade math assessment gains (PA district study)

These are independently citable, named case studies (Rowan College at Burlington County; a named Pennsylvania school district efficacy study) rather than self-reported aggregate claims alone, which raises our confidence that the outcomes data is at least directionally real, even though sample sizes and methodology are not independently audited in the materials provided.

5.2 Agentic AI / MCP — Early-Stage but Strategically Coherent

The most forward-looking element of the strategy is McGraw Hill's pilot of an “agentic curriculum” delivered via Model Context Protocol (MCP) — effectively exposing the company's curriculum and data as a structured, auditable, metered service that third-party AI agents (including, per Moyer's comments, integrations contemplated with tools like Google NotebookLM) and even non-education organizations (two pilot partners in healthcare/pharma, per the call) can consult. CEO Moyer's framing — an “app store for knowledge” combined with a pivot toward smaller, purpose-built, vectorized models rather than routing every query through large general-purpose models — is a coherent, cost-aware strategic position, and the cost argument (lower latency, lower compute cost per query, tighter pedagogical control over what content reaches a student and when) is sound in principle.

This is flagged candidly as the least quantifiable part of the analysis. Pricing models are explicitly described by management as still being worked out “over the course of between now and the end of the year,” and no revenue contribution has yet been disclosed or guided. This is best treated as a real option with a multi-year payoff horizon, not a near-term valuation driver, and assigning it explicit value in a base-case model would be premature at this stage.

Editor's note — *External corroboration (June 2026): reporting on Microsoft's AI strategy (Satya Nadella, via the Wall Street Journal, as covered by ZeroHedge) describes a deliberate industry pivot toward treating raw model intelligence as an increasingly cheap, interchangeable commodity, with durable value migrating to whoever owns proprietary data, distribution, and the customer workflow — Azure orchestration and Copilot, in Microsoft's case. This is directionally the same structural bet underlying McGraw Hill's own agentic/MCP strategy: as general-purpose models commoditize, the data and distribution layer (the company's three-tier moat) becomes the more durable source of value, not less. This reads as external, independent corroboration of the logic management is using to justify its AI strategy, rather than as a new finding specific to McGraw Hill.*

5.3 The Copyright/Licensing Angle — An Underappreciated Defensive Asset

McGraw Hill, along with other major publishers, is a plaintiff in active litigation against Meta over unauthorized use of copyrighted material to train large language models. Rather than reading this as a liability, management's framing on the call — reinforced by historical precedent the CEO cited from his Vimeo tenure (initial refusals to license content evolving into paid licensing deals once AI companies recognized the necessity of high-quality training data) — supports the view that McGraw Hill's content is a scarce, legally defensible asset that AI companies will increasingly need to license rather than scrape. This is a genuine, if early-stage, monetization avenue distinct from the company's direct-to-institution business.

6. Financial Analysis

6.1 Headline FY2026 Results vs. Guidance

Metric	FY2026 Actual	vs. Guidance
Revenue	\$2,103M	Above high end of guided range
Re-occurring Revenue	\$1,541M (+5.8% YoY)	Above high end of guided range
Adjusted EBITDA	\$744M (+2.4% YoY)	Above high end of guided range
Adjusted EBITDA Margin	35.4% (+80bps YoY)	Beat
GAAP Net Income	\$35M (vs. -\$86M FY2025)	First positive net income since transaction
Gross Margin	80.9% (+100bps YoY)	Beat

FY2026 marked the company's first year of positive GAAP net income, a meaningful inflection from the -\$85.8M (FY2025) and -\$193M (FY2024) losses of the prior leveraged-ownership years — driven by lower interest expense following IPO-proceeds debt paydown and ongoing amortization step-downs, not by any one-time gain.

6.2 Quality of Earnings — What the Adjusted EBITDA Bridge Actually Contains

The 10-K's detailed Adjusted EBITDA reconciliation (which we reviewed directly rather than relying on summarized figures) shows FY2026 EBITDA of \$613M bridging to Adjusted EBITDA of \$744M via add-backs of: \$11M restructuring/cost-savings charges, \$3M advisory fees (the legacy Platinum Advisory Agreement, terminated at IPO), \$39M International impairment charge, \$1M transaction/integration costs, \$34M stock-based compensation, \$26M gain on debt extinguishment, and \$17M of other non-recurring items (FX, product-launch marketing, IPO-related costs, lease termination, and miscellaneous). None of these add-backs strikes us as aggressive or unusual for a recently-IPO'd, formerly sponsor-owned company — the stock-based compensation and impairment add-backs are standard practice, and the Platinum advisory fee was contractually terminated at the IPO and will not recur.

6.3 Balance Sheet and Debt Profile (as of March 31, 2026)

Instrument	Amount (\$M)
Senior Secured Term Loan due 2031	\$555
Revolving Credit Facility due 2029 (\$450M capacity)	\$0 drawn
Senior Secured Notes due 2028	\$828
Senior Secured Notes due 2031	\$650
Total First Lien Indebtedness	\$2,033
Senior Unsecured Notes due 2029	\$599
Gross Debt	\$2,632
Less: Cash & Equivalents	(\$254)
Total Net Indebtedness	\$2,379

Net Debt / LTM Adjusted EBITDA stood at 3.2x at fiscal year-end, down from 4.0x a year earlier and 5.5x at FY2023, against a stated management target range of 2.0x-2.5x. The company reduced gross debt by \$646 million during FY2026 (inclusive of IPO proceeds) and an additional \$50 million in the

seasonally weak fiscal Q4, including opportunistically repurchasing \$40 million of its highest-coupon notes at a discount in the open market — a small but credible signal of disciplined, opportunistic capital allocation rather than passive deleveraging.

Per the 10-K, the company's Cash Flow Credit Agreement requires maintenance of a maximum Consolidated First Lien Net Leverage Ratio of 6.95x (a springing covenant, tested only if the revolving credit facility is drawn beyond 40% of capacity) — a covenant level the company is currently nowhere near breaching at 2.4x net first lien leverage. As of the 10-K filing date, the company confirmed it was “in compliance with all covenants or other requirements” across all credit facilities and indentures. Near-term covenant or default risk appears low; the more relevant risk is the magnifying effect leverage has on equity returns if EBITDA underperforms (discussed in Section 12).

6.4 Cash Flow and Liquidity

The company ended FY2026 with \$254 million of cash and \$704 million of total committed liquidity (cash plus undrawn revolver/ABL capacity). Cash from operations was \$331 million for the year (down from \$646 million in FY2025, reflecting working capital timing rather than a deterioration in underlying profitability), with unlevered free cash flow of \$335 million. Management guided FY2027 unlevered free cash flow to approximately \$400 million (+20% year-over-year), implying levered free cash flow of roughly \$220 million after approximately \$180 million of GAAP interest expense — a figure CFO Sallmann explicitly confirmed on the call as the correct way to interpret guidance when questioned directly by Shlomo Rosenbaum (Stifel).

7. Valuation Framework

At a reference price of \$9.48 per share and approximately 191.3 million shares outstanding (per the 10-K cover page, as of June 4, 2026):

Metric	Value
Shares Outstanding	191.3M
Market Capitalization	~\$1.81B
Net Debt (3/31/26)	~\$2.38B
Enterprise Value	~\$4.19B
EV / FY2026A Adjusted EBITDA	~5.6x
EV / FY2027E Adjusted EBITDA (midpoint \$770M)	~5.4x
EV / FY2027E Unlevered FCF (\$400M)	~10.5x
Price / FY2027E Revenue (midpoint \$2.145B)	~0.85x
P / FY2026A Gross Profit (\$1,702M)	~1.06x

These multiples sit at a material discount both to the company's own IPO valuation (\$3.25B equity value at \$17.00/share, implying an entry EV of roughly \$5.7B against FY2025 EBITDA of \$727M, or ~7.8x) and to Platinum's 2021 acquisition multiple (approximately \$4.5B EV against then-trailing EBITDA in the high-\$500M range, also in the high-single-digit range). The current ~5.4-5.6x multiple represents one of the most depressed valuations the business has carried across its post-2021 ownership history, despite

higher absolute EBITDA dollars, a stronger balance sheet, and a more favorable recurring-revenue mix than at either the 2021 transaction or the 2025 IPO.

7.1 Valuation Methodology and Historical Trading Ranges

A useful framework for thinking about valuation here is to compare the current multiple against the company's own trading history rather than to derive a single fair-value figure. A re-rating toward 6.5x-7.0x FY2027E Adjusted EBITDA — still a discount to both the company's 2025 IPO multiple (~7.8x) and Platinum's 2021 entry multiple (high-single-digits), and a discount to comparable vertical-software/education platform peers — applied against the \$750M-\$790M guided EBITDA range would imply an enterprise value of roughly \$5.0B-\$5.5B, versus the current ~\$4.19B. Net of an estimated FY2027 year-end net debt position of approximately \$2.1B-\$2.2B (reflecting continued paydown from the ~\$400M FY2027 unlevered free cash flow guide), that enterprise value range corresponds to an equity value of roughly \$2.8B-\$3.3B on the current share count. This sensitivity is presented as a methodology and a range of historical reference points for investors to weigh themselves, not as a derived fair-value conclusion.

7.2 Reading the Valuation Gap Versus Sell-Side Targets

The current price sits below the average sell-side analyst price target identified in Section 11, including the most conservative target we found (Deutsche Bank, \$16). A stock trading at a discount to its most conservative covering analyst is noteworthy and is consistent with one or more of the following: (a) the market pricing in negative information not yet reflected in sell-side models, (b) the market over-extrapolating near-term K-12 softness, or (c) structural, stock-specific factors — thin public float (only ~13.6% of shares are not held by Platinum), recent IPO status, small-cap/sponsor-controlled seller dynamics around the stock's continuous post-IPO decline — that may be suppressing the price independent of fundamentals. Based on the primary-source evidence reviewed, we did not identify any disclosed information in the 10-K, investor presentation, or earnings call that would constitute genuinely new negative information beyond what is already reflected in the cautious FY2027 guidance itself; investors may wish to monitor whether the valuation gap narrows as further data points (Section 15) become available.

8. Governance & Sponsor Analysis: Platinum Equity and Tom Gores

8.1 Platinum's Control Position — Confirmed Directly From the 10-K

As of June 4, 2026, investment vehicles affiliated with Platinum Equity (specifically, PE Mav Holdings, LLC, the record holder) beneficially owned 165,160,216 shares, representing 86.4% of McGraw Hill's outstanding Common Stock. Tom Gores, as the ultimate manager of the Platinum Equity entity chain, is deemed to share beneficial ownership of this entire stake. McGraw Hill remains a “controlled company” under NYSE rules and has elected to use the associated governance exemptions — the company does not maintain a majority-independent board, and its compensation and nominating committees are not composed entirely of independent directors.

The Investor Rights Agreement, described in detail in the 10-K, grants Platinum extensive and durable governance rights tied to ownership thresholds, including: the right to nominate a majority of the board so long as Platinum owns at least 40% of outstanding stock (with scaled-down board representation

rights persisting down to 5% ownership); the right to designate the board chair from among Platinum's nominees; guaranteed representation on every board committee; consent rights over amendments to the charter and bylaws that would adversely affect Platinum's rights; and registration rights over Platinum's shares. These are standard sponsor-control provisions for a recently-IPO'd, majority-owned company, but they are extensive, and minority shareholders should not expect board-level checks on Platinum's strategic decisions while these thresholds remain in effect.

8.2 Tom Gores — Track Record and Relevance to This Specific Investment

Tom Gores founded Platinum Equity in 1995 and built the firm (now managing approximately \$48-50 billion in assets) around an operationally-focused M&A philosophy the firm brands “M&A&O” — explicit emphasis on operational improvement over financial engineering. His track record includes turning around Litigation Services, Inc. (acquired for \$200,000 and profitable within six months) early in his career, and the 2008 sale of PNA Steel to Reliance Steel & Aluminum for 27 times Platinum's original \$17.5 million investment two years prior. He has personally invested roughly \$700 million of his own capital into Platinum's buyout funds, indicating direct personal financial exposure to fund performance rather than fee income alone.

Critically for this specific investment, Platinum's own public communications credit the firm's 2021-2025 ownership period with more than doubling McGraw Hill's digital revenue and accelerating its digital transformation ahead of the IPO — meaning the most difficult phase of the operational turnaround (digital mix shift, debt optimization, recurring-revenue transition) occurred under Platinum's direct stewardship before public investors were able to participate. The CEO hire (Moyer) was made by Platinum-controlled governance prior to any activist or public-market pressure, suggesting the AI/platform pivot was a deliberate strategic choice rather than a reactive one.

8.3 The One Genuine Complication: Platinum Fund V Performance Pressure

McGraw Hill sits within Platinum Equity Capital Partners V, the fund vehicle that completed the 2021 acquisition. Publicly reported fund-level data indicates Fund V's expected internal rate of return was revised down to approximately 11% as of recent reporting, with several other Fund V portfolio companies (a portable-toilet provider and a chainsaw manufacturer, among others) marked down to zero value. Platinum's newer flagship fund (Fund VI, raised in 2024 at \$12.4 billion) and continued large fundraising suggest the firm retains institutional LP support, but distributed-to-paid-in-capital (DPI) pressure across Fund V creates a structural incentive for Platinum to seek liquidity events from its larger, more visible holdings — of which McGraw Hill, even post-IPO, remains one of the largest.

This is not, in itself, a reason to avoid the position. At \$9.48, Platinum is deeply underwater on both its 2021 entry valuation and its retained post-IPO equity stake, which means Platinum's economic incentive is presently to support, not undermine, a re-rating — a forced or discounted exit at current levels would be value-destructive for Platinum itself. The risk is one of timing and patience, not alignment: if Fund V LP pressure forces a liquidity event before the literacy cycle and AI optionality have had time to be reflected in the share price, minority holders could see the valuation gap take longer to close via secondary offering supply or an opportunistic (rather than optimal) strategic sale, even though the underlying business continues to perform.

9. Management Assessment: Philip Moyer and the Leadership Team

9.1 CEO Background and Fit

Philip Moyer, age 60, has served as President and CEO since February 9, 2026. His pre-McGraw Hill career, confirmed directly from the 10-K's biographical disclosure, includes: CEO of Vimeo, Inc. (through its November 2025 acquisition); Global Vice President, Applied AI Engineering and Business Development at Google Cloud (Alphabet Inc., from July 2019); Director of Financial Services at Amazon Web Services; 15 years at Microsoft Corporation; and co-founder of Orion Systems Group, an EdTech startup focused on special-needs students' individualized education programs. He holds a Computer Science degree and has prior board experience including at GE Aerospace's predecessor entity. This is a genuinely unusual résumé for an education-publishing CEO — it is the résumé of a platform/cloud/AI operator, which is precisely the skill set the company's stated strategic pivot requires.

9.2 Compensation Structure and Alignment

Component	Detail (per 10-K)
Base Salary	\$1,200,000
Target Annual Bonus (FY2026, pro-rated)	\$1,800,000 target; \$301,808 actual (pro-rated for partial year)
Sign-On RSUs	277,585 units; vest in 3 equal annual installments from Feb 9, 2026
Sign-On PSUs	277,585 units; vest 25/50/75/100% at \$28 / \$32 / \$38 / \$40 VWAP hurdles
Personal Stock Purchase	108,381 shares purchased at \$13.84/share (Feb 17, 2026) under 2025 Plan
Matching RSUs	108,381 units, granted 1:1 against the personal purchase above

Two details from this structure deserve emphasis. First, the PSU vesting hurdles (\$28-\$40 per share) mean Moyer's performance-based equity is entirely worthless at the current \$9.48 share price and requires the share price to appreciate 195%-322% before any portion vests — an unusually steep alignment mechanism even by sponsor-controlled-company standards. Second, and more telling: Moyer voluntarily purchased \$1.5 million of stock with his own capital at \$13.84 per share just eight days into his tenure, a price 46% above the reference price used in this report. This was not a forced or scheduled grant; it was a discretionary cash purchase. A new CEO who could have deployed that capital elsewhere choosing instead to buy stock in his first two weeks is a meaningfully different signal than an options-only compensation package would provide, and one we had not had primary-source confirmation of prior to reviewing the 10-K directly.

9.3 Bench Strength Beneath the CEO

Moyer inherited, rather than built, much of the current finance and digital leadership: CFO Robert Sallmann and Chief Digital/Information Officer David Cortese both joined in April 2024, roughly 22 months before Moyer's arrival, and both have been credited (per their participation in the FY2026 results and the digital-transformation narrative) with professionalizing the finance and product organizations ahead of the IPO. General Counsel David Stafford has served since 2012, providing institutional continuity through the Apollo-to-Platinum-to-public transition. This is a positive factor: Moyer is not attempting an AI/platform pivot with an inexperienced or newly-assembled team beneath him.

10. Risk Factors (Primary Source: FY2026 Form 10-K)

The 10-K's own risk factor summary (Item 1A) is unusually candid and worth reviewing directly rather than relying solely on management's framing in investor-facing materials. The items most relevant to the analysis are highlighted below, several of which were not discussed on the earnings call or in the investor presentation.

10.1 Risks Already Substantially Reflected in This Report

- Competition from low-cost or no-cost AI-generated/LLM-based competitive products (addressed in Section 5)
- Financial leverage: \$2,632.3 million face value of outstanding debt as of March 31, 2026 (addressed in Section 6.3)
- Platinum's significant influence and “controlled company” status (addressed in Section 8)
- Order patterns, payment schedules, and high seasonality of the business
- Reductions in college/university enrollment

10.2 A Material Risk Not Discussed on the Earnings Call or in the Investor Deck

The 10-K explicitly discloses, as a named risk factor, that “the current U.S. administration is significantly restructuring the U.S. Department of Education,” which “may lead to changes involving the oversight of our industry resulting in a fragmented education system with varying standards and requirements across states in the absence of federal regulations and oversight.” The filing states plainly that “the nature, timing and political effects of potential changes to current federal policy...remain highly uncertain” and that “any unfavorable developments...could have an adverse effect on our results of operations and financial condition.”

This risk is notable for two reasons. First, it received zero mention across either the earnings call Q&A (eleven analysts asked questions) or the investor presentation — a gap between the company's most cautious, legally-vetted disclosure (the 10-K) and its most promotional, forward-looking communications (the call and deck). Second, paradoxically, federal deregulation and fragmentation could cut in either direction for McGraw Hill specifically: increased state-level autonomy could either fragment the curriculum market further (a risk, consistent with the California math dynamics already discussed) or could increase reliance on trusted, large-scale private providers like McGraw Hill in the absence of federal coordination (an opportunity, consistent with management's repeated framing that the company is “one of the few companies in the world that can respond to this fragmentation at scale”). This is flagged as a genuine, underweighted source of variance that deserves direct monitoring rather than dismissal.

10.3 Seasonality and Cash Flow Timing

The 10-K discloses that McGraw Hill realized approximately 25%, 32%, 21%, and 22% of FY2026 total revenue across fiscal Q1 through Q4, respectively, and explicitly states that “there are months when we operate at a net cash deficit from our activities” due to this seasonality — consistent with management's own description of a “seasonal cash trough” through June on the earnings call. This is a normal feature of the business model (driven by the academic calendar) rather than a sign of distress, but it does mean

quarterly cash flow and leverage readings should be interpreted with the seasonal pattern in mind rather than annualized naively.

11. Market Reaction & Analyst Sentiment Since Q4 Earnings

The market's reaction to the June 11, 2026 print is itself informative and was researched directly (web search, analyst commentary, and stock price history) in the course of this engagement. Key findings are summarized below for completeness; real-time pricing data should always be re-verified at the time of any trading decision.

Date / Period	Approx. Price	Note
IPO (July 23, 2025)	\$17.00	Below marketed range; \$3.25B initial equity valuation
Post-Q3 FY2026 beat (Feb 2026)	~\$15.29	+23.9% single-day move on strong Higher Ed growth
Pre-Q4 earnings (June 10, 2026)	~\$12.00-\$13.19	Drifting toward prior 52-week low
Post-Q4 earnings (June 11-12, 2026)	~\$12.08-\$12.37	Beat on EPS/revenue; FY27 guide read as soft
Reference price for this report	\$9.48	New low; below all analyst price targets

Notably, the share price continued declining for days after the earnings print rather than stabilizing on the day of the beat — a pattern consistent with “sell the guide, not the print” behavior, and one that, combined with the thin public float (~13.6% non-Platinum shares), can produce outsized price moves disconnected from the magnitude of the underlying news.

Firm	Analyst	Rating	Price Target (post-Q4)
Baird	Jeff Meuler	Outperform	\$16 (from \$19)
Morgan Stanley	Toni Kaplan	Overweight	\$18 (from \$21)
BTIG	Marvin Fong	Buy	\$19 (from \$22)
BMO Capital	—	Outperform	\$19 (from \$21)
Deutsche Bank	Faiza Alwy	—	\$16
JPMorgan	Alexey Philippov	Overweight	\$21 (from \$22, pre-earnings cut)

Consensus sentiment across covering sell-side analysts (per researched data) remained decidedly positive, with zero negative ratings among the firms identified and an average 12-month price target around \$20, even as nearly every firm trimmed targets after the print. Cited reasons for the trims centered specifically on K-12 execution risk (BTIG) and the softer-than-expected FY2027 outlook (Morgan Stanley) — i.e., analysts cut numbers without abandoning the underlying long-term outlook. The gap between the average analyst target (~\$20) and the \$9.48 reference price (a ~53% discount) is unusually wide relative to the magnitude of the disclosed results, and is a data point investors may wish to weigh alongside the valuation framework in Section 7.

12. Risks and Counterarguments

Intellectual honesty requires taking the risks and counterarguments as seriously as the structural investment considerations. Four distinct ways this analysis could prove wrong are identified below, ranked roughly by probability:

12.1 K-12 Execution Disappoints Again, and the Literacy Cycle Slips

The single biggest risk to this analysis is a second consecutive year of K-12 capture-rate underperformance — if California and Texas math win rates do not recover per management's "Florida Social Studies playbook" precedent (cited explicitly by CFO Sallmann as the company's prior course-correction template), and if the literacy supercycle proves slower to monetize than the "year zero" framing implies, the K-12 segment could remain a multi-year drag rather than a multi-year tailwind. Because K-12 cash conversion runs 50-100% depending on adoption-cycle phasing (per Sallmann's direct comments to Faiza Alwy), continued softness here disproportionately affects free cash flow relative to its revenue weight.

12.2 Leverage Magnifies a Modest EBITDA Miss Into a Large Equity Drawdown

At 3.2x net leverage, McGraw Hill's equity is a levered claim on enterprise value. Using the EV framework from Section 7: if FY2027 Adjusted EBITDA came in at, say, \$700M (below the \$750-790M guided range) and the market simultaneously compressed the EBITDA multiple to 5.0x (reflecting diminished confidence rather than improved confidence), implied EV would fall to roughly \$3.5B; against a similar net debt level, equity value would compress to roughly \$1.3B, or under \$7 per share — a further ~25%+ decline from the current reference price. This is the mechanical risk of owning equity in a 3x-levered capital structure, independent of how well the underlying business performs in absolute terms.

12.3 Platinum Fund V Pressure Forces a Suboptimal Liquidity Event

As discussed in Section 8.3, Fund V's IRR pressure and LP demand for distributions create a non-zero probability that Platinum pursues a secondary offering, a dividend recapitalization (increasing leverage to extract cash), or a full strategic sale at a price that, while likely above the depressed level prevailing at the time of publication, may not fully reflect the multi-year literacy and AI optionality discussed in this report. None of these outcomes is necessarily catastrophic for an investor who entered at \$9.48, but each would limit how quickly the valuation gap closes, independent of operating performance, and would introduce timing risk outside of operational control.

12.4 AI Commoditizes Curriculum Faster Than the Data Moat Can Defend Against It

While the 6:1 OER/AI-generated curriculum win rate is an encouraging data point, it is disclosed by the company itself, not independently audited, and covers a market (Higher Education) where switching costs and institutional relationships are arguably McGraw Hill's strongest. If general-purpose AI models meaningfully improve at the kind of pedagogically-sequenced, standards-aligned content generation that management currently argues requires deep domain expertise — a non-trivial technical possibility given the pace of foundation model improvement — the data/content moat could erode faster in K-12 (a more price-sensitive, procurement-driven market) than in Higher Education. This is the long-duration, low-near-term-probability risk in the analysis, but it is also the risk most consistent with the structural fear the broader market currently has about every legacy content business.

Editor's note (June 2026): the same Microsoft/Nadella reporting cited in Section 5.2 also sharpens this specific risk. Coverage indicates Microsoft is actively evaluating hosting ultra-low-cost third-party models

(e.g., DeepSeek) directly inside Azure/Copilot, wrapped in enterprise security and compliance controls — i.e., hyperscalers are not just commoditizing the model layer, they are moving to vertically integrate the orchestration and distribution layer themselves. If this extends into education-specific content licensing, it could compress McGraw Hill's negotiating leverage in the exact agentic/licensing model management is counting on as a new revenue stream (Section 5.2), by giving institutions a hyperscaler-hosted, compliant alternative that bypasses publisher-specific licensing deals. We do not treat this as a new, distinct risk category — it is the same commoditization risk already identified above — but the pace and seriousness with which the largest platform companies are pursuing this strategy is evidence the risk is live, not theoretical.

13. Relevance to Long-Term Structural Themes

Evaluated directly against Museum Park Capital's stated investment philosophy, McGraw Hill scores well across nearly every stated principle:

Principle	Application to MH
Think in Themes, Not Tickers	Direct expression of “educational data and personalized learning” — explicitly named in the stated portfolio themes
Seek Variant Perception	Market prices MH as a declining legacy publisher; primary-source evidence supports a workflow/data-platform structural narrative
Management Matters	Moyer's AI/platform background plus direct personal stock purchase at \$13.84 is unusually strong alignment for a recent hire
Margin of Safety	5.4x forward EBITDA, at a multi-year low relative to the company's own post-2021 trading history — a setup consistent with low expectations and weak sentiment
Structural Over Cyclical	K-12 softness is cyclical/procurement-driven; literacy mandate (42 states) and AI/data optionality are structural, multi-year drivers
Second-Order Effects	Meta copyright lawsuit reframed as evidence of content scarcity value, not liability; DOE restructuring cuts both ways and is underweighted by the market
Concentrated Conviction	Leverage and sponsor-control risk are factors that would weigh on position sizing for any investor considering this name (see Section 14.2)

The one area of partial tension with the stated philosophy is the “Management Matters” principle's explicit preference to “own imperfect businesses led by exceptional managers” while being “reluctant to own great businesses led by poor allocators.” McGraw Hill's most consequential capital allocator is not Moyer but Platinum/Gores, whose track record is strong but whose current fund-level incentives introduce a timing variable outside the operating CEO's control. This is addressed directly in the risk-weighting considerations below (Section 14.2) rather than treated as disqualifying.

14. Valuation Observations

Criterion	Score (1-10)	Rationale
Business Quality / Moat	7.5	Strong in Higher Ed/ALEKS; moderate and contested in K-12 math
Recurring Revenue Quality	8.5	73%+ recurring, 114% Higher Ed NDR, \$1.67B RPO

Margin Structure	9.0	80.9% gross margin; 35.4% Adj. EBITDA margin, both expanding
Management & Incentive Alignment	8.5	AI-native CEO; PSU hurdles at \$28-\$40; personal stock purchase
Balance Sheet / Leverage	5.5	3.2x net leverage, improving but still the dominant equity risk
Governance / Minority Protection	5.0	86.4% sponsor control; controlled-company exemptions in full use
Growth Durability	6.5	Higher Ed strong and consistent; total-company growth still inconsistent
AI / Secular Optionality	8.0	Genuine data moat; agentic/MCP strategy credible but unmonetized
Valuation / Margin of Safety	8.5	5.4x EV/EBITDA, below all analyst targets, multi-year low
Overall Weighted Assessment	7.4 / 10	Differentiated research case; not yet a low-risk compounder

14.1 Valuation Observations

Taken together, the analysis in this report points to a multi-year set of structural themes rather than a near-term catalyst: (1) continued Higher Education compounding, (2) a literacy-curriculum supercycle that has not yet shown up meaningfully in reported K-12 numbers, and (3) an underwritten AI/data-licensing optionality that the current valuation, on the multiples discussed in Section 7, appears to assign limited value to. At a reference price of \$9.48, the equity traded at a discount both to its own post-2021 ownership history (Section 7) and to the average sell-side analyst target identified in Section 11. Whether and how quickly that gap closes depends on the monitoring points set out in Section 15, particularly K-12 execution and continued deleveraging.

14.2 Risk-Weighting Considerations

McGraw Hill combines a genuine alignment with several long-term structural themes (data-driven personalized learning, durable recurring revenue) with capital-structure leverage and sponsor-control risk that are not present in an unlevered or widely-held equivalent business. Investors weighing this name would likely want to account for the fact that the downside scenario modeled in Section 12.2 (a leverage-amplified EBITDA miss) can move faster and further than the favorable scenario discussed in Section 7.1 over short windows, and that the Platinum/Fund V timing risk modeled in Section 12.3 adds a variable outside of operational control. These are factors for individual due diligence and risk tolerance, not a position-sizing instruction.

15. Monitoring Framework

15.1 Near-Term Catalysts (Next 2-4 Quarters)

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- K-12 selling season results for the 2026-2027 school year — specifically California and Texas math win-rate trends versus management's "Florida Social Studies" course-correction precedent
 - California's publication of its approved ELA vendor list (expected later in calendar 2026), the first major signal for the FY2028 California literacy adoption cycle
 - Fall semester Higher Education enrollment data (available after fiscal Q2) — management's conservative 1% enrollment assumption is a key swing factor in FY2027 guidance
 - Continued debt paydown cadence and progress toward the 2.0x-2.5x net leverage target
 - McGraw Hill's planned Investor Day ("later this calendar year" per CEO Moyer) — expected to provide the company's first detailed long-term strategy and capital allocation framework as a public company

15.2 Medium-Term Catalysts (12-24 Months)

- Disclosed pricing model and early revenue contribution from the agentic AI / MCP curriculum pilots
- Resolution or settlement signals from the Meta copyright litigation, and any subsequent AI-content licensing deals
- Evidence of literacy (Emerge!/Summit!/Soar!) market share gains beyond the early Colorado/Seattle/Kansas wins cited in FY2026
- Any Platinum secondary offering, dividend recapitalization, or strategic process announcement — the single most important governance-related signal to monitor

15.3 Red Flags That Would Warrant Reassessment

- A second consecutive year of K-12 capture rate at or below the low end of the historical 25-30% range without a credible, specific course-correction narrative
 - Any covenant-related disclosure or net leverage trending materially away from the stated 2.0x-2.5x target rather than toward it
 - Insider selling by Moyer, Sallmann, or other recently-hired executives, which would contrast sharply with the alignment signal of Moyer's February 2026 stock purchase
 - Disclosure of a Platinum-led secondary offering or recapitalization at a price meaningfully below intrinsic value estimates in this report
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16. What Would Change Our Mind?

This report represents a point-in-time analytical assessment, not a fixed position. The structural themes discussed throughout — Higher Education compounding, the literacy curriculum cycle, and AI/data-licensing optionality — are testable, and this section sets out, in advance, the specific evidence that would strengthen or weaken the assessment as new information becomes available. Readers are encouraged to track these markers independently rather than rely on any single section of this report as a final word.

16.1 Evidence That Would Strengthen This Assessment

- Sustained literacy (Science of Reading) adoption wins beyond the early Colorado/Seattle/Kansas results, evidencing that the Emerge!/Summit!/Soar! programs are capturing share at a pace consistent with the prior Wonders cycle
- Disclosed, revenue-generating commercial agreements for AI/data licensing (agentic-curriculum, MCP-based, or direct content-licensing deals), moving the AI strategy from option value to recognized revenue
- Continued Higher Education market share gains, net dollar retention sustained at or above 114%, and confirmation that the FY2026 enrollment outperformance was not a one-time event
- Continued net leverage reduction toward the stated 2.0x-2.5x target, alongside no Platinum secondary offering or dividend recapitalization that would interrupt the deleveraging path

16.2 Evidence That Would Weaken This Assessment

- Persistent deterioration in K-12 capture rates — a second consecutive year at or below the low end of the historical 25-30% range without a credible course-correction narrative — would indicate the procurement softness is structural rather than cyclical
- Declining Higher Education net dollar retention, market share, or Evergreen/Inclusive Access penetration, which would undercut the segment's SaaS-like quality and the central pillar of the analysis
- AI/data monetization failing to emerge over the next several quarters — no disclosed pricing model, no pilot conversion to paid licensing, or evidence that generic large language models are closing the content-quality gap faster than expected — which would suggest the data moat is eroding rather than holding
- Increased leverage — whether through a debt-funded dividend recapitalization, a covenant trend moving away from the 2.0x-2.5x target, or weaker-than-guided free cash flow — which would amplify the downside scenario modeled in Section 12.2

This report was prepared using primary-source materials (McGraw Hill, Inc. FY2026 Form 10-K, FY26-Q4 Investor Presentation dated June 11, 2026, and the FY26-Q4 earnings call transcript dated June 11, 2026) supplemented by researched secondary sources (analyst commentary, stock price history, and public reporting on Platinum Equity). It is intended for informational and analytical purposes as part of an independent company research process and is not a substitute for independent due diligence, legal advice, or the advice of a licensed financial advisor. This report does not contain investment recommendations or price targets; all valuation multiples, historical trading ranges, and sensitivity analyses represent analytical judgment based on the cited sources as of the analysis date and are not guarantees of future performance.

ADDENDUM — UPDATED JUNE 22, 2026

17. Post-Report Update: Price Decline to \$9.09 and CEO Insider Purchase

This addendum updates the report dated as of the \$9.48 reference price with two subsequent developments: (1) a continued decline in the share price, and (2) a confirmed open-market insider purchase by CEO Philip Moyer disclosed via SEC Form 4. Both are incorporated below without revising the body of the original report, consistent with maintaining a dated, auditable research trail.

17.1 Price Update

Date	Price	Note
June 11-12, 2026	~\$12.08-\$12.37	Initial post-Q4-earnings reaction
June 18, 2026 (close)	\$9.68	Per SEC Form 4 company snapshot data
Report reference price	\$9.48	Original report valuation basis
June 22, 2026 (current)	\$9.09	New low; -4.1% from report reference price; -43% over trailing 1 year

At \$9.09, the share price was roughly 47% below the IPO price (\$17.00) and approximately 22% below Moyer's own February 2026 discretionary stock purchase price (\$13.84). The valuation arithmetic from Section 7 of the original report shifts modestly further toward the lower end of the company's own historical trading range on pure multiples (EV/FY2027E Adjusted EBITDA of approximately 5.3x at the midpoint, versus 5.4x at the \$9.48 reference price), but we have not identified any new negative fundamental disclosure (operational, regulatory, or covenant-related) that would explain the incremental decline. This is consistent with the thin-float, sentiment-driven price action pattern flagged in Sections 7.2 and 11 of the original report.

17.2 CEO Insider Purchase — June 15, 2026 (Disclosed via SEC Form 4)

Detail	Value
Transaction Date	June 15, 2026
Filer	Philip D. Moyer, President & CEO
Transaction Type	Open-market purchase (direct ownership)
Shares Purchased	22,421
Weighted Average Purchase Price	\$11.12
Total Consideration	\$249,322
Post-Transaction Direct Holdings	516,768 shares (~\$5.3M value at transaction price)
Change in Direct Holdings	+4.5%
Source	SEC Form 4, filed via EDGAR (CIK 1951070)

This is Moyer's first disclosed open-market purchase since his February 2026 stock-purchase-plan transaction (108,381 shares at \$13.84, discussed in Section 9.2 of the original report). Several features of this transaction distinguish it from the February purchase and strengthen, rather than merely repeat, the management-alignment signal already identified in this report:

- Discretionary, not plan-driven: unlike the February purchase, which occurred under the company's 2025 stock purchase plan with matching RSUs, this transaction carries no disclosed matching equity award and appears to be a standard open-market buy — a cleaner, less structurally incentivized signal of personal conviction.
- Timing relative to disclosed information: the purchase occurred four days after the June 11 earnings call, meaning Moyer purchased with full knowledge of the FY2027 guidance, the K-12 capture-rate

commentary, and the market's negative reaction to the print — not before bad news was known, but after it had already been fully priced in by the market's reaction.

- A third, independent data point: combined with the February 2026 purchase (\$13.84) and the PSU performance hurdles (\$28/\$32/\$38/\$40, all of which remain unvested and well out of the money), Moyer now has three distinct equity exposures established at three different price points across his six-month tenure, all currently underwater at the \$9.09 reference price. A pattern of repeated, voluntary capital commitment across a declining price trajectory is a materially stronger signal than a single purchase would be in isolation.

The limits of this signal are also worth noting. At \$249,322, this purchase is modest in absolute dollar terms relative to Moyer's total compensation package (a \$1.2 million base salary and \$1.8 million target bonus, per Section 9.2). It is a signal of conviction, not a re-underwriting of the company's intrinsic value, and it had not, as of this writing, arrested the decline in the share price — shares have fallen further, from \$11.12 (Moyer's purchase price) to \$9.09 (-18%) in the week since the transaction. Insider buying is informative about management's view of intrinsic value; it is not a technical support level and should not be treated as one.

17.3 Net Effect on the Analysis

This development strengthens the management-alignment component of the report (Section 9) with a new, independently sourced, dated data point. It does not alter the assessment of the structural risks identified in Sections 8 and 12 — leverage, Platinum/Fund V timing pressure, and K-12 execution risk are unaffected by a single executive's personal trading activity, however well-timed. The valuation observations set out in Sections 7 and 14 are maintained, while noting that the discount to the average sell-side target (Section 11) has widened modestly given the incremental price decline to \$9.09.

17.4 Updated Monitoring Note

Add the following to the Section 15 monitoring framework: track any subsequent Form 4 filings by Moyer, Sallmann, or other named executive officers over the next 1-2 quarters. A continuation of open-market buying at progressively lower prices would further reinforce the alignment observation; any reversal into net selling — particularly by Moyer — would be a meaningful negative signal warranting immediate reassessment of this section, given the strength of the buying signal established to date.

17.5 Secondary Update: Industry Context on AI Commoditization (Microsoft/Nadella)

Separately, reporting on Microsoft CEO Satya Nadella's strategic positioning (via the Wall Street Journal, covered by ZeroHedge, June 2026) was reviewed for relevance to this analysis. Nadella's described strategy — treating frontier AI models as an increasingly cheap, commoditized layer while Microsoft captures durable value through data gravity, orchestration (Azure/AI Foundry), and distribution (Copilot) — is directly relevant to two existing sections of this report and has been incorporated as editorial notes in place, rather than as a standalone risk factor:

- **Section 5.2 (Agentic AI / MCP):** the Microsoft strategy is independent, cross-industry corroboration of the same data/distribution-over-raw-model logic McGraw Hill's own AI strategy is built on.

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- **Section 12.4 (AI commoditization risk):** evidence that hyperscalers are pursuing vertical integration of the orchestration/distribution layer itself sharpens, but does not newly create, the existing risk that McGraw Hill's licensing leverage could be compressed if a hyperscaler-hosted alternative bypasses publisher-specific deals.

This is macro/industry context rather than a McGraw Hill-specific event, and does not change the valuation observations or structural themes discussed elsewhere in this report. It is included to keep the report's risk and thematic sections current with the broader AI-industry narrative as it develops.

Addendum prepared June 22, 2026, incorporating SEC Form 4 data (filed via EDGAR, CIK 1951070) and current market pricing as researched. This addendum supplements, and should be read alongside, the original report dated as of the \$9.48 reference price. As with the original report, this content is for informational and analytical purposes and is not a substitute for independent due diligence or professional financial advice.