



Nebraska
Book Company



Company update

December 2011

Agenda

This presentation focuses on:

- **Performance Overview**
- **Crux Survey Results**
- **Business Strategy**



Performance Overview

YTD Results

Final results for the six months ended September 30, 2011 are presented below

Division	YTD Sep 2011	YTD Sep 2010	% Change	SSS %
On-campus				
Revenue ⁽¹⁾	\$122.2	\$119.3	2.4%	(2.0%)
EBITDA	13.5	13.6	(0.4%)	
% of markets with SSS increase	39.0%			
% of markets with SSS decrease	61.0%			
Off-campus				
Revenue	\$124.6	\$148.9	(16.4%)	(15.9%)
EBITDA	13.4	20.4	(34.7%)	
% of markets with SSS increase	6.0%			
% of markets with SSS decrease	94.0%			
Wholesale				
Revenue	\$81.4	\$81.4	0.0%	
EBITDA	23.8	24.4	(2.4%)	
Comp Services				
Revenue	\$15.6	\$19.0	(17.9%)	
EBITDA	1.3	1.8	(28.1%)	

- **On-campus flat / slightly down**
- **Weakness in off-campus as rental increase was not enough to offset the sales unit decline**
- **Textbook Division continues to perform well with stable revenue and highly attractive profit margins**
- **Complementary Services remains a small but key contributor to EBITDA**

Note: Bookstore division EBITDA shown before Retail Overhead; Revenue and EBITDA are before the deferral of rental revenue

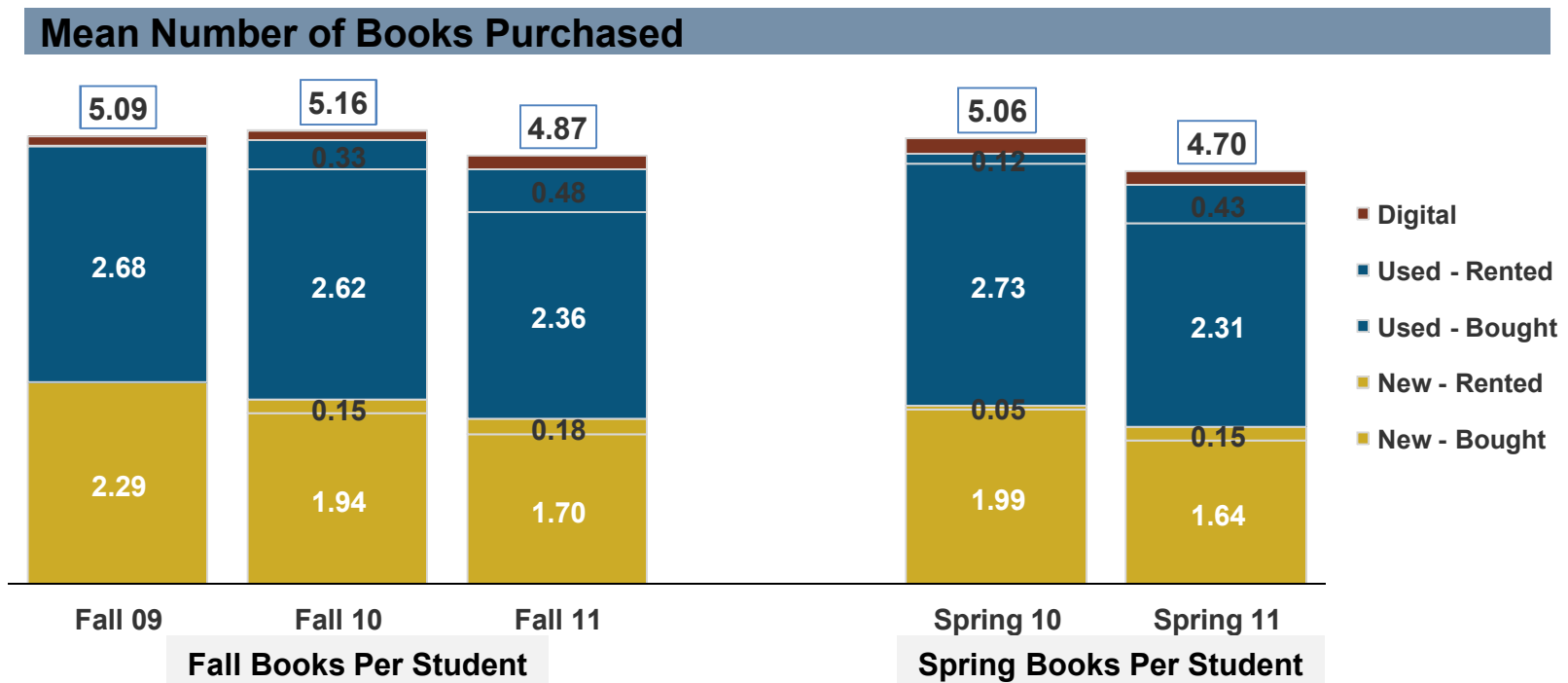
1) SSS growth excluding Detroit Wayne County Community College performance (9/30/11 YTD Revenue of \$8.1m vs. 9/30/10 YTD Revenue of 10.3m) is flat



Crux Survey Results

Total number of textbook purchases declined moderately

4.87 books purchased per student vs. 5.16 books in Fall 10



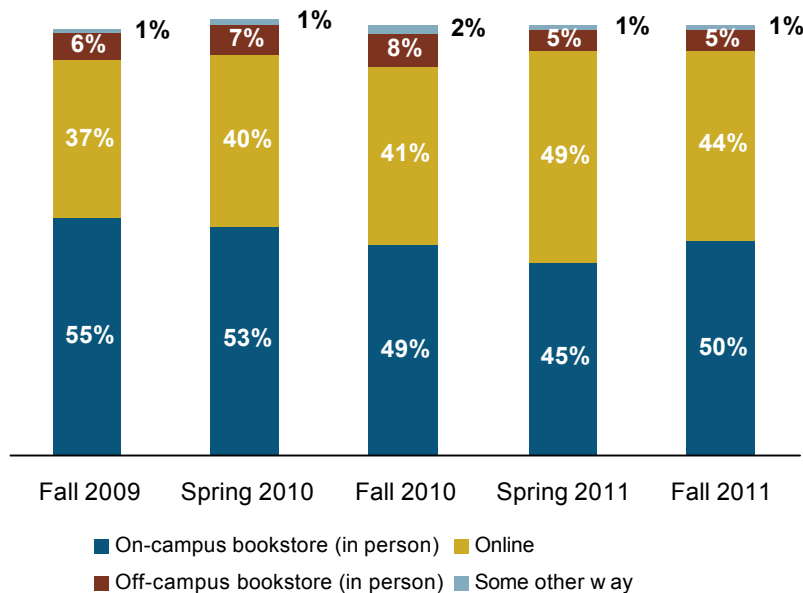
Source: Crux surveys

On-campus strong in new books; online gaining share in used

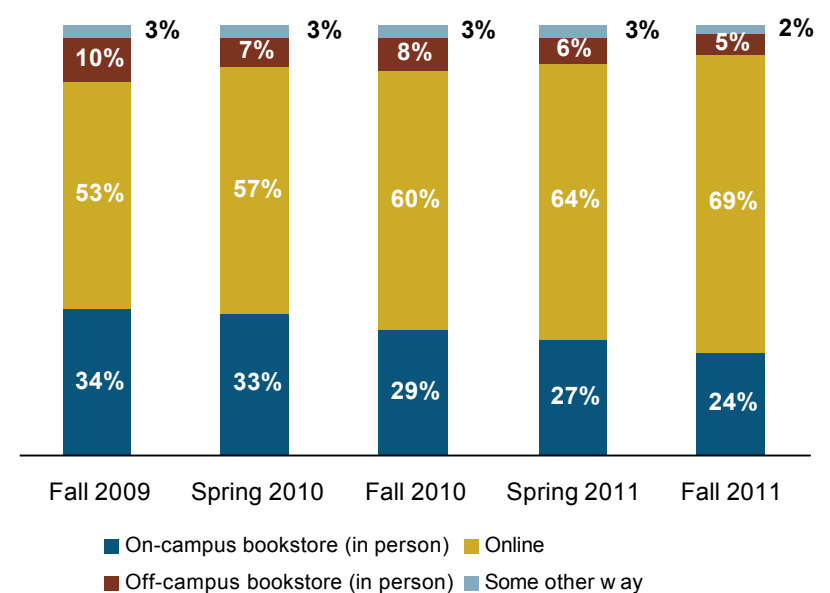
On-campus remains strong in new book sales

- Online market share has increased rapidly

New book sales by channel
% of all new books sold



Used book sales by channel
% of all used books sold



Source: Crux surveys

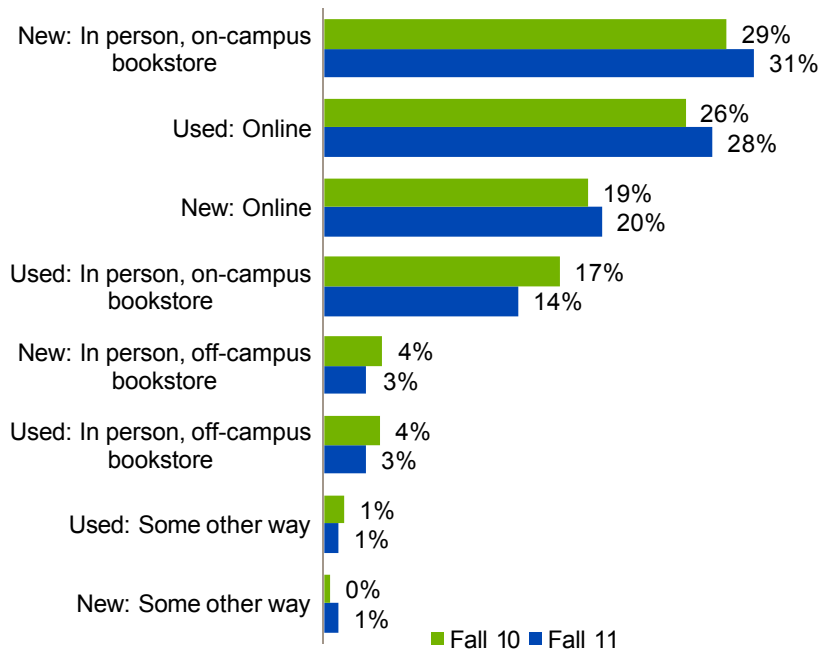
Note: Numbers do not include books that were rented

Trends favor On-campus outlook

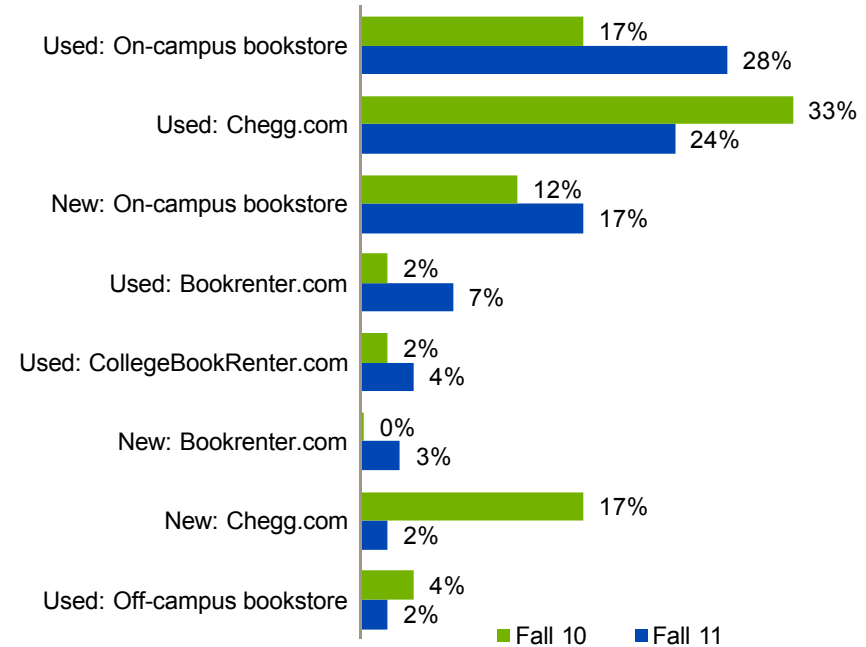
On-campus is the largest player in both sales and rentals

- Bookstore sales and preference up for the first time in over 5 years

Bought Books
Dollar Share of all Bought Books



Rented Books
Dollar Share of all Rented Books



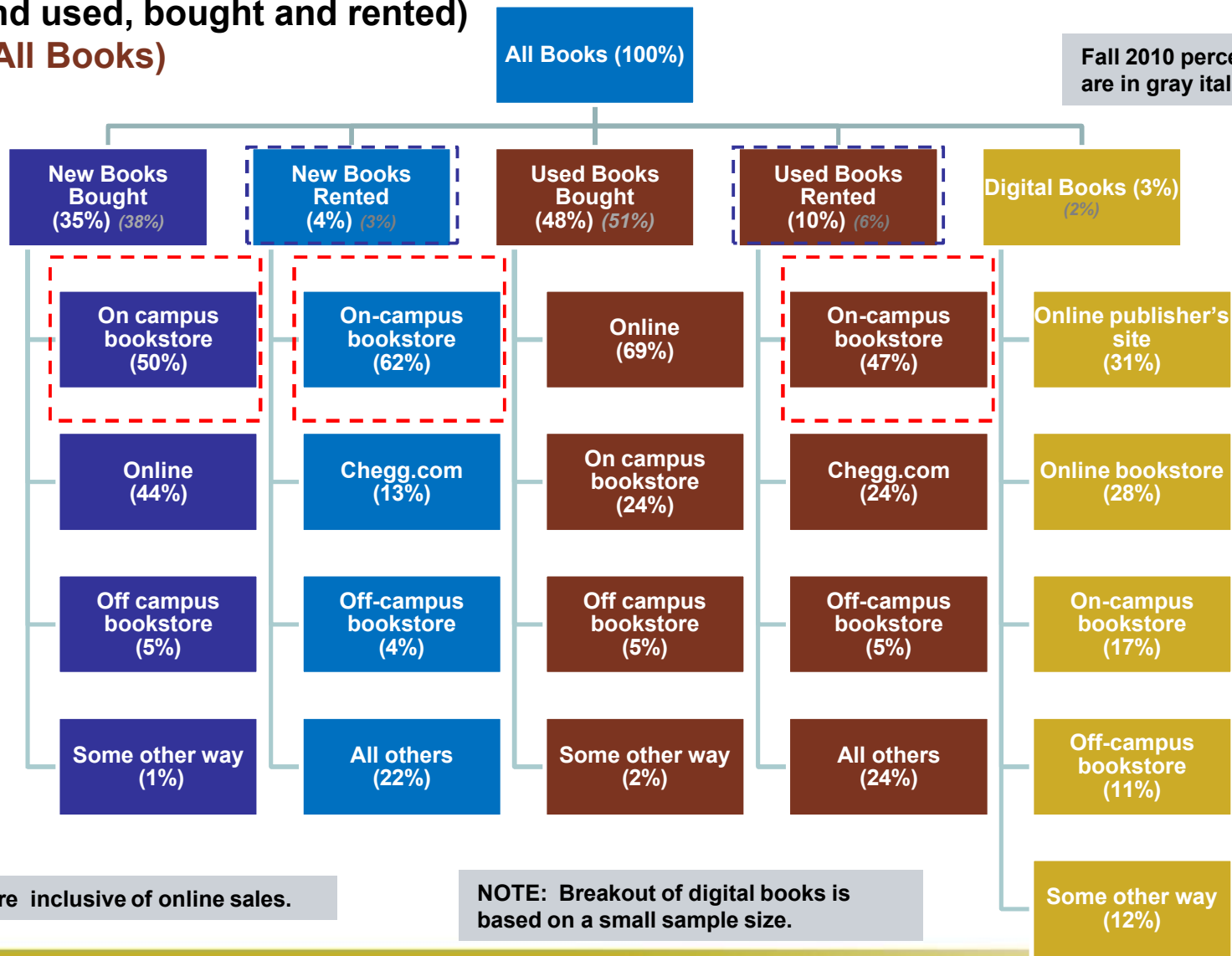
Bought books account for 87% of all money spent
(92% in Fall 2010)

Rented books account for 10% of all money spent
(6% in Fall 2010)

Source: Crux surveys

Rental is on the rise

All books (new and used, bought and rented)
Unit Share (% of All Books)

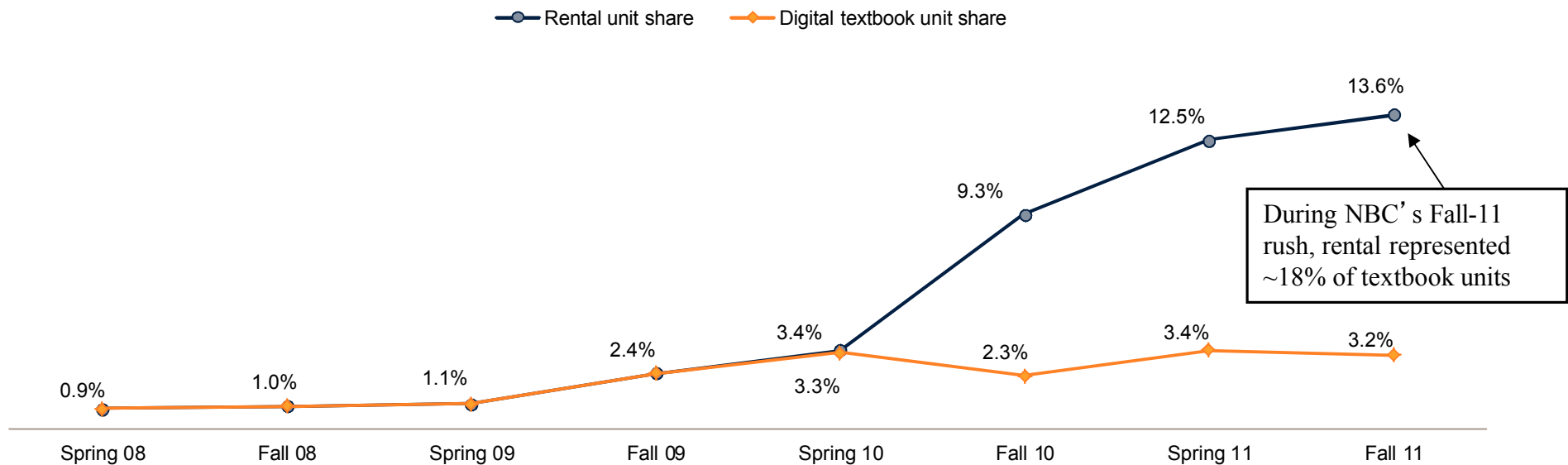


Source: Crux surveys

Digital books continue to represent a small portion of the market

We continue to see limited e-book usage as it pertains to textbooks

Units as a % of all books (new and used, bought and rented)

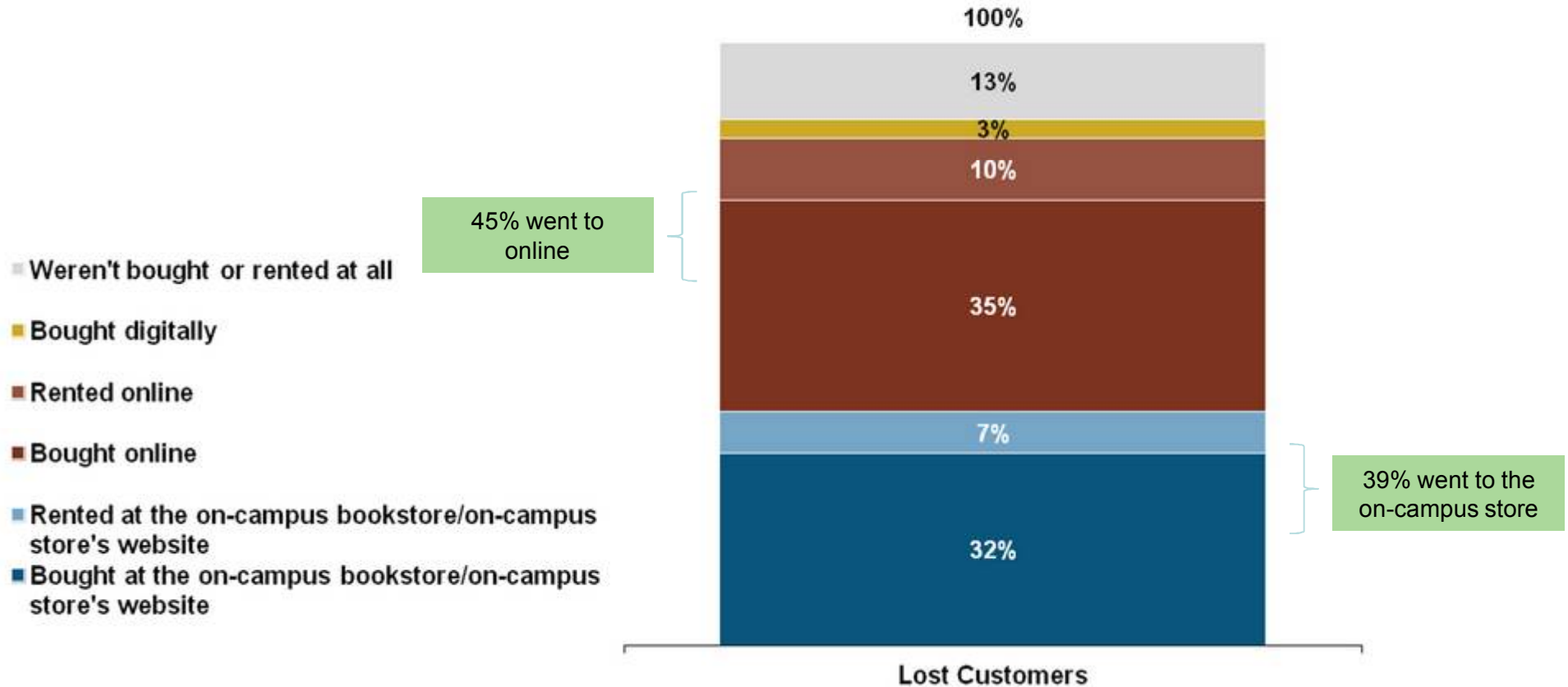


Source: Crux surveys

Off-campus study - Where did the books go?

Where did you get the books this semester that in previous semesters you would have bought at the off-campus bookstore?

Among Lost Customers (those who reduced spending at off-campus store)

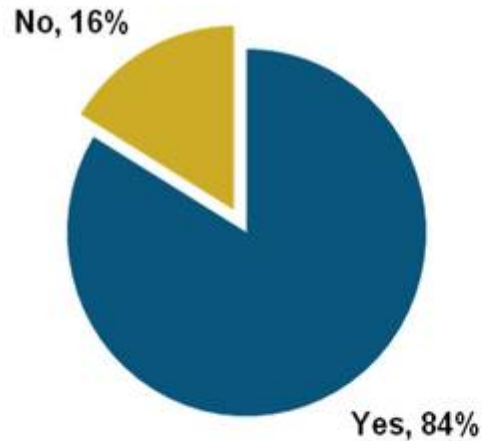


Purchases migrated from the off-campus store to the on-campus store and online

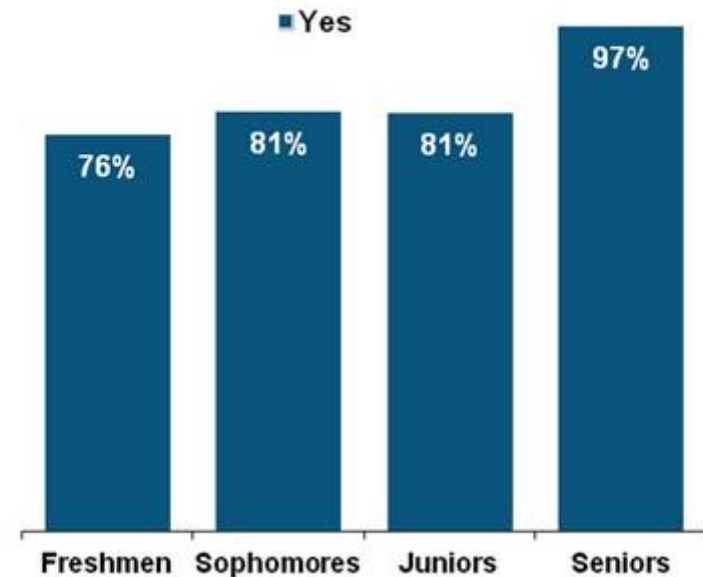
Source: Crux off-campus focus surveys

Off-campus study - Students are aware of the off-campus store

Prior to this survey, did you know that the [Nebraska] off-campus bookstore existed?
Among Non Customers (those who didn't shop at store either semester)



However, 44% of those aware were not very or not at all familiar with the store.



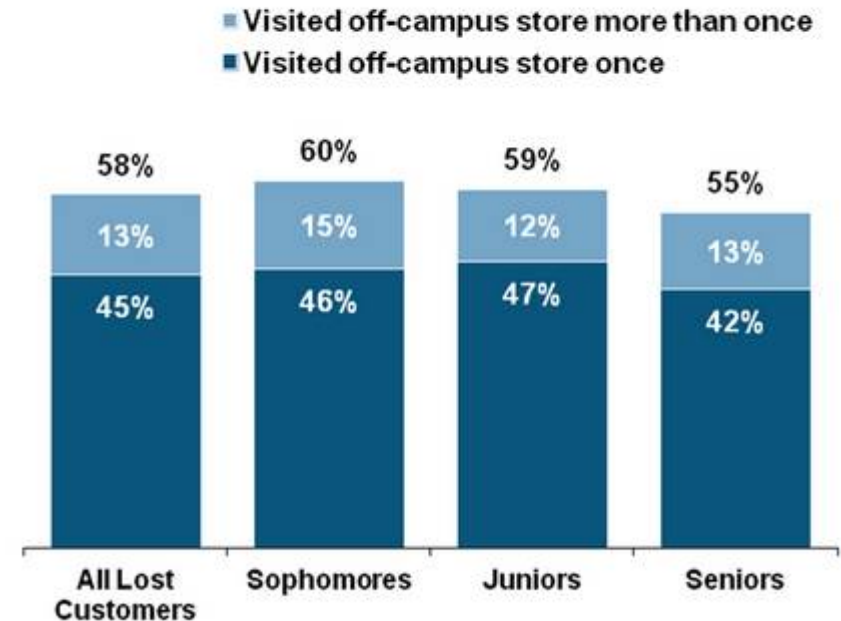
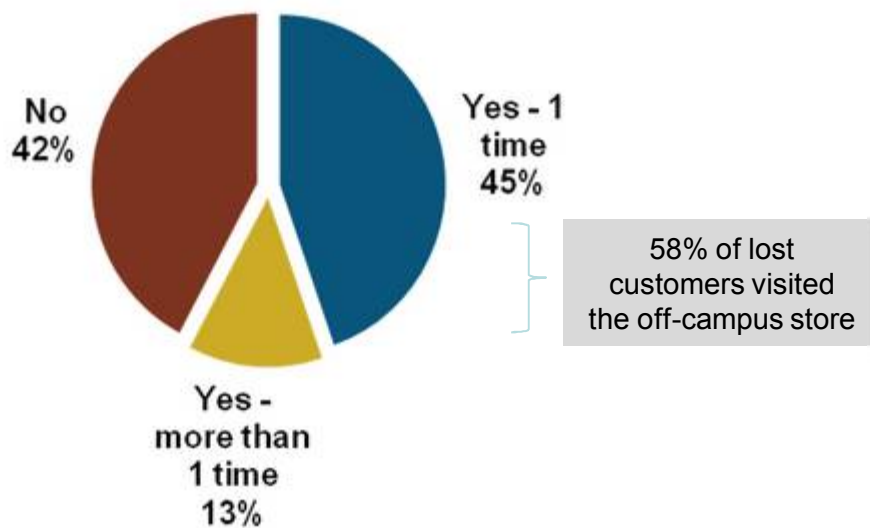
Off-campus store awareness is not the issue

Source: Crux off-campus focus surveys

Off-campus study - Students went to store before renewing purchase behavior

When shopping for your textbooks this semester, did you go to the off-campus bookstore?

Among Lost Customers (those who reduced spending at off-campus store)



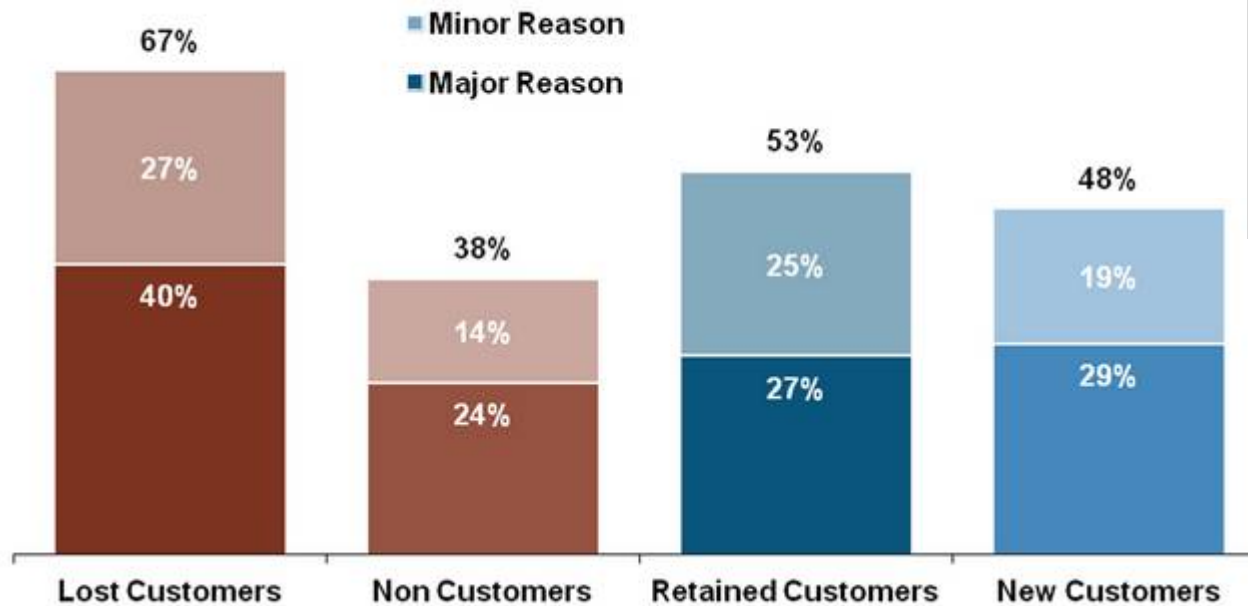
Most (58%) lost customers went to the off-campus store when shopping this semester

Source: Crux off-campus focus surveys

Off-campus study – customers lost due to perception of high prices

For a book that is available on-campus for \$50, the highest price a student would pay for the same book at an off-campus store is \$38

Please indicate if each was a major reason for you, a minor reason, or not a factor for you.
The off-campus bookstore's prices were too high



Those that had not visited the off-campus store (30%) were no more likely than those who had (31%) to say price was a major factor.







NOTE: Those who exclusively rented books were more likely than others to say price is a major reason they didn't shop at the off-campus store.

Source: Crux off-campus focus surveys



Business Strategy

Strategy and Action Plan

Strategy / Initiative	Progress Update / Status
Rent Every Book	  <ul style="list-style-type: none"><li data-bbox="1312 553 1703 589">▪ Rental increasing<li data-bbox="1312 618 1955 699">▪ Off-campus unit sales decline more than offset rental increase
Neebo.com	 <ul style="list-style-type: none"><li data-bbox="1312 740 1881 821">▪ Inventory integration for Bookstore Division on track
On-Campus Acquisition	 <ul style="list-style-type: none"><li data-bbox="1312 919 1938 954">▪ Focus on on-campus segment
General Merchandise	 <ul style="list-style-type: none"><li data-bbox="1312 1081 1839 1162">▪ High demand for newly introduced food products
Operational Initiatives	 <ul style="list-style-type: none"><li data-bbox="1312 1284 1839 1365">▪ Benefits from operational improvements on track

Business profile remains strong despite off-campus decline

Bookstore division

On-campus:

- Market share gain in both sales and rentals ⁽¹⁾
- Same store sales holding up in difficult economic environment

Off-campus:

- Increase advertising to change price perception and improve conversion ratio
 - Enhance C-Store and Neebo brand

Textbook division

- Continues to perform well with strong revenue and highly attractive profit margins

Complimentary Services division

- Technology offerings to supplement Bookstore and Textbook divisions
- Decline in revenue in FY2012 due to move of Specialty Books to Lincoln and paring down of customer list

Note:

(1) Source: Crux Surveys