



Nebraska Book Company



Company Presentation

September 2011

Forward looking information

This document contains or incorporates by reference certain statements that are not historical facts, including, most importantly, information concerning possible or assumed future results of our operations and statements preceded by, followed by or that include the words “may,” “believes,” “expects,” “anticipates,” or the negation thereof, or similar expressions, which constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”). All statements which address operating performance, events or developments that are expected or anticipated to occur in the future, including statements relating to volume and revenue growth, earnings per share or EBITDA growth, our ability to extend, refinance or repay our indebtedness, or statements expressing general optimism or pessimism about future results of operations, are forward-looking statements within the meaning of the Reform Act. Such forward-looking statements involve risks, uncertainties and other factors which may cause our actual performance or achievements to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Reform Act.

Investment highlights

Leadership position in large, growing and attractive market

Unique rental model with significant barriers to entry

History of strong financial performance and consistent FCF generation

Disciplined approach to growth

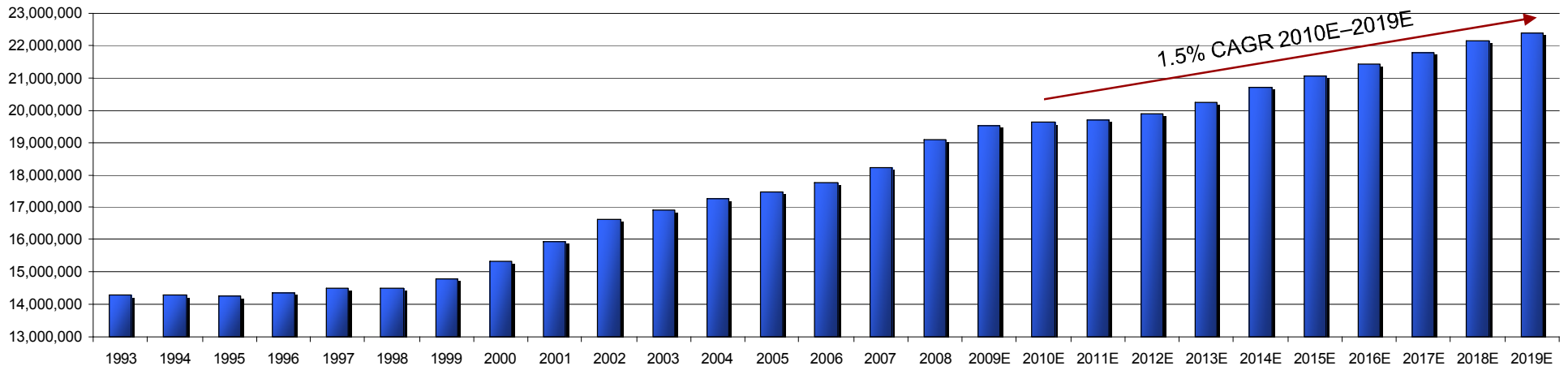
Experienced and proven management team



Industry and Company Overview

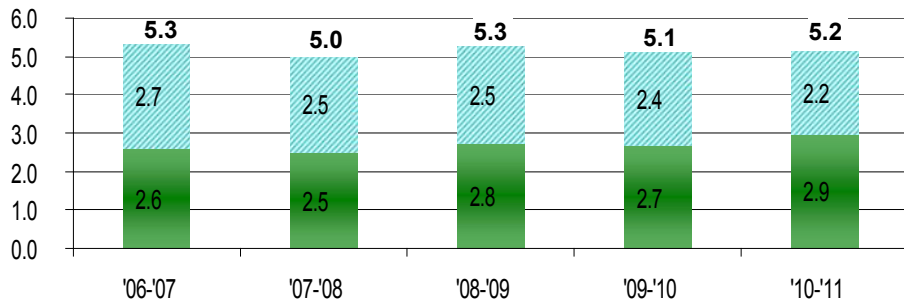
Enrollment is increasing and students continue to buy/rent ~ 5 books per semester

Total fall enrollment in 2 and 4 year post-secondary educational institutions (thousands of students)



Source: U.S Department of Education, National Center for Education Statistics "Projections of Education Statistics to 2019"

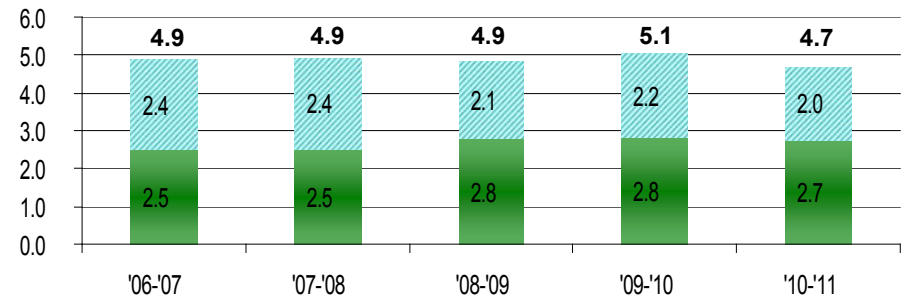
New/used mix in fall semester (books per student)



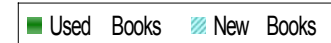
Source: Crux surveys



New/used mix in spring semester (books per student)



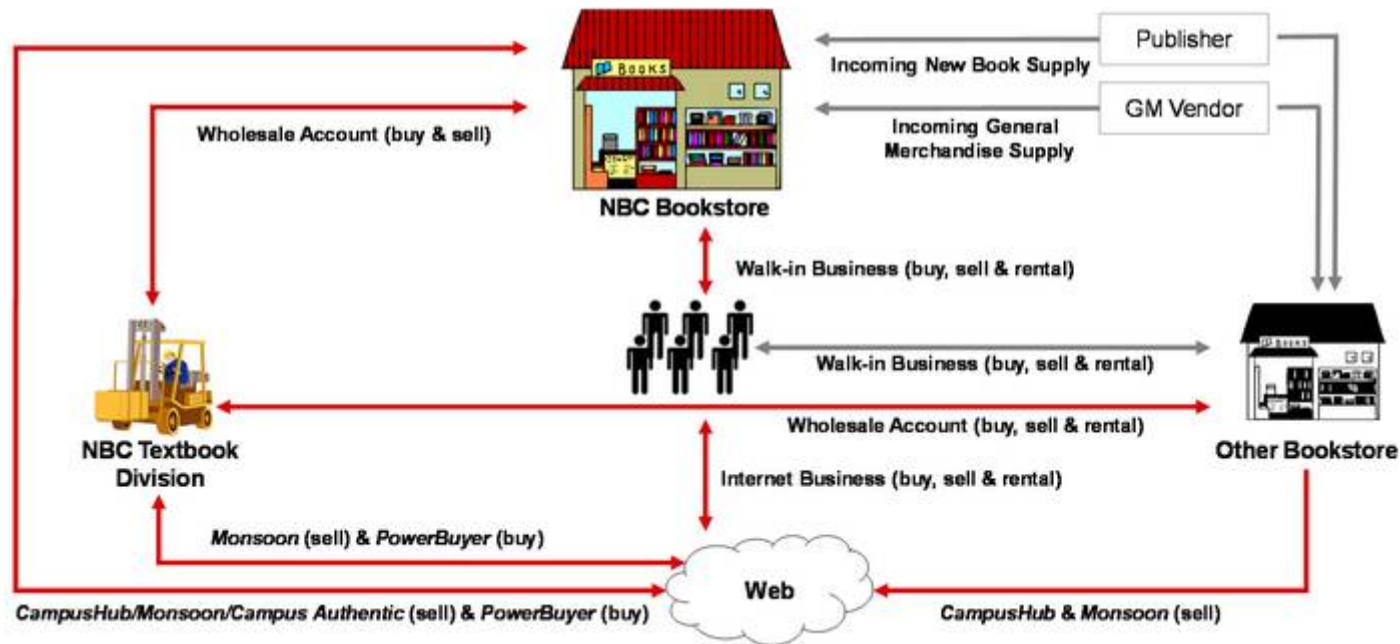
Source: Crux surveys



Business overview

NBC operates an integrated, synergistic multi-channel retail and wholesale platform

NBC business model



Bookstore Division

- 293 retail bookstores including 136 off-campus and 157 on-campus, as of 6/30/11
- Sells/rents new and used textbooks and related general merchandise
- Operates at schools with an aggregate student population of over two million

Textbook Division

- One of the largest used textbook wholesale distributors in the U.S.
- Sells approximately 6.1 million used textbooks to 2,500 college bookstore accounts annually
- Provides rental capability for online and brick & mortar wholesale accounts

Complementary Services Division

- Provides proprietary back-office and e-commerce systems, buying programs, consulting services, and distance education materials
- Services college bookstores on a national basis

Historical Financials

	Historical				Actual	CAGR
	2007	2008	2009	2010	2011	FY '07 - '11
On-Campus						
Bricks & Mortar Textbook	\$ 117.0	\$ 126.6	\$ 138.5	\$ 148.2	\$ 158.6	7.9%
Online Textbook	\$ 2.6	\$ 4.4	\$ 7.4	\$ 9.0	\$ 12.3	48.0%
General Merchandise & Other	\$ 21.0	\$ 25.3	\$ 27.4	\$ 29.6	\$ 38.8	16.6%
Total Revenue	\$ 140.5	\$ 156.3	\$ 173.4	\$ 186.8	\$ 209.8	10.5%
Growth %		11.2%	10.9%	7.7%	12.3%	
Same Store Sales (Rental Adj.)	8.9%	11.3%	2.6%	0.2%	4.0%	
Bricks & Mortar Textbook	N/A	N/A	N/A	2,136	2,193	
Online Textbook	N/A	N/A	N/A	186	220	
Total Units	N/A	N/A	N/A	2,322	2,413	N/A
Growth %					3.9%	
EBITDA	\$ 9.6	\$ 10.1	\$ 12.8	\$ 14.8	\$ 15.6	
Margin %	6.8%	6.4%	7.4%	7.9%	7.4%	
Off-Campus						
Bricks & Mortar Textbook	\$ 219.7	\$ 224.0	\$ 218.2	\$ 192.8	\$ 157.8	(7.9%)
Online Textbook	\$ 7.5	\$ 20.5	\$ 29.7	\$ 41.9	\$ 50.1	60.9%
General Merchandise & Other	\$ 50.8	\$ 53.6	\$ 50.9	\$ 51.0	\$ 50.9	0.1%
Total Revenue	\$ 277.9	\$ 298.1	\$ 298.7	\$ 285.7	\$ 258.9	(1.8%)
Growth %		7.2%	0.2%	(4.3%)	(9.4%)	
Same Store Sales (Rental Adj.)	3.1%	2.9%	(4.6%)	(2.6%)	(7.9%)	
Bricks & Mortar Textbook	N/A	N/A	N/A	3,187	2,628	
Online Textbook	N/A	N/A	N/A	923	1,153	
Total Units	N/A	N/A	N/A	4,109	3,781	N/A
Growth %					(8.0%)	
EBITDA	\$ 35.0	\$ 35.9	\$ 31.2	\$ 30.9	\$ 19.2	
Margin %	12.6%	12.0%	10.5%	10.8%	7.4%	
Wholesale						
Revenue	\$ 135.8	\$ 139.7	\$ 147.3	\$ 140.6	\$ 135.5	(0.1%)
Growth %		2.9%	5.4%	(4.5%)	(3.6%)	
Gross Margin	\$ 52.6	\$ 53.4	\$ 59.9	\$ 55.5	\$ 55.5	1.4%
GM %	38.7%	38.2%	40.7%	39.5%	41.0%	
EBITDA	\$ 32.2	\$ 33.7	\$ 39.0	\$ 37.1	\$ 34.7	1.9%
Margin %	23.7%	24.1%	26.5%	26.4%	25.6%	
Complementary Services						
Revenue	\$ 32.2	\$ 34.4	\$ 34.2	\$ 35.5	\$ 35.4	2.4%
Growth %		6.7%	(0.4%)	3.6%	(0.2%)	
EBITDA	\$ 2.7	\$ 1.6	\$ 1.3	\$ 2.3	\$ 2.8	0.8%
Margin %	8.4%	4.5%	3.9%	6.5%	7.8%	
Consolidated						
Revenue	\$ 544.4	\$ 581.2	\$ 610.7	\$ 605.5	\$ 598.4	2.4%
Growth %		6.8%	5.1%	(0.9%)	(1.2%)	
Gross Margin	\$ 212.0	\$ 227.1	\$ 239.3	\$ 235.3	\$ 232.3	2.3%
GM %	38.9%	39.1%	39.2%	38.9%	38.8%	
EBITDA	\$ 70.8	\$ 71.0	\$ 73.7	\$ 74.9	\$ 61.6	(3.4%)
Margin %	13.0%	12.2%	12.1%	12.4%	10.3%	

• Continued momentum on-campus

• Bricks & Mortar textbook sales increasingly shifting online and to rentals

• Steady, stable performance

Note: Consolidated EBITDA excludes non-cash stock-based compensation and one-time expenses



Industry Dynamics

Rental is transforming the textbook industry, while E-Books remain a small part of the market

Students like to rent

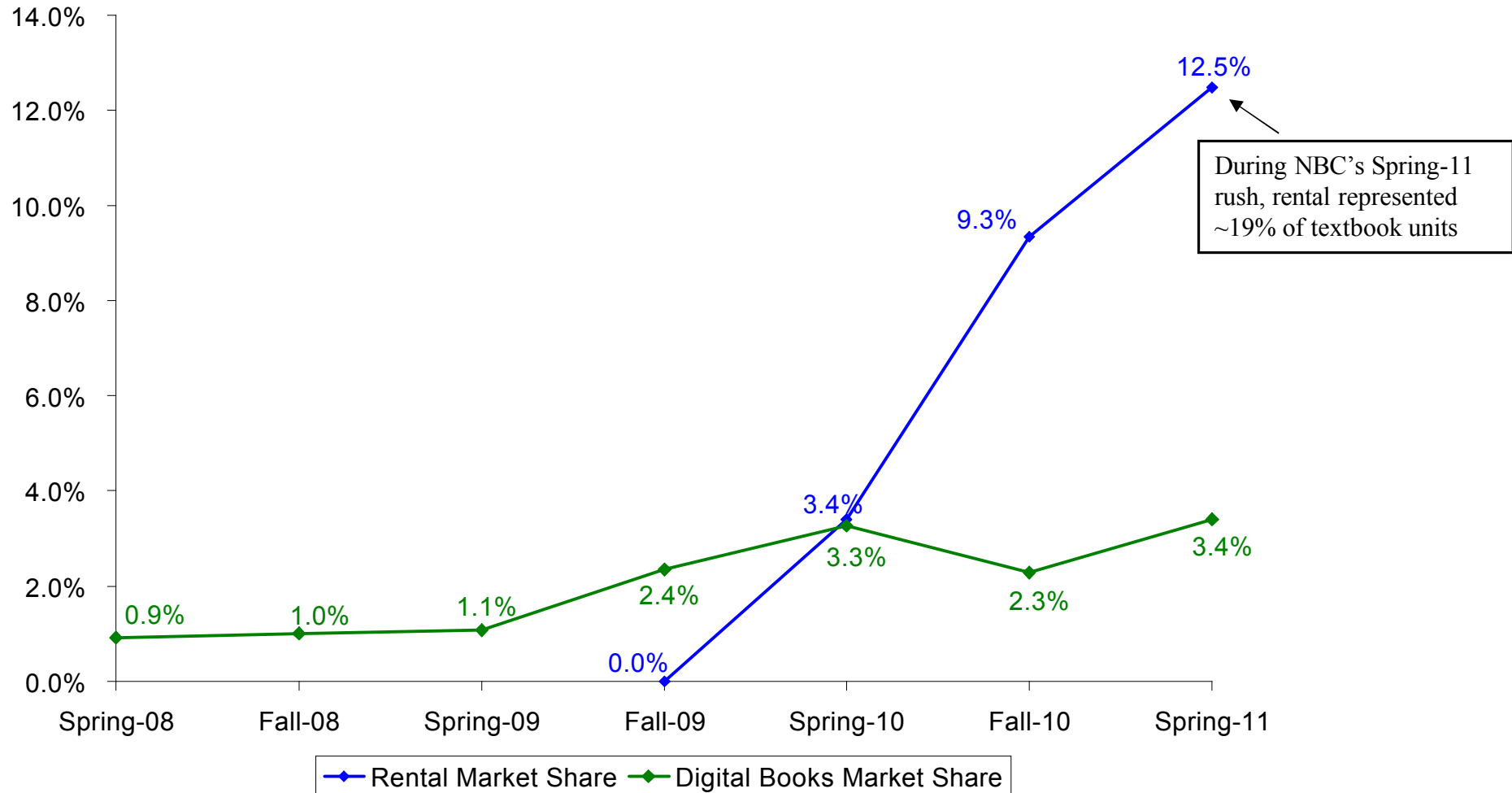
Students prefer to rent at bookstores

Rental changes supply dynamics in the industry

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

Rental adoption taking hold – contrast versus trend of digital books

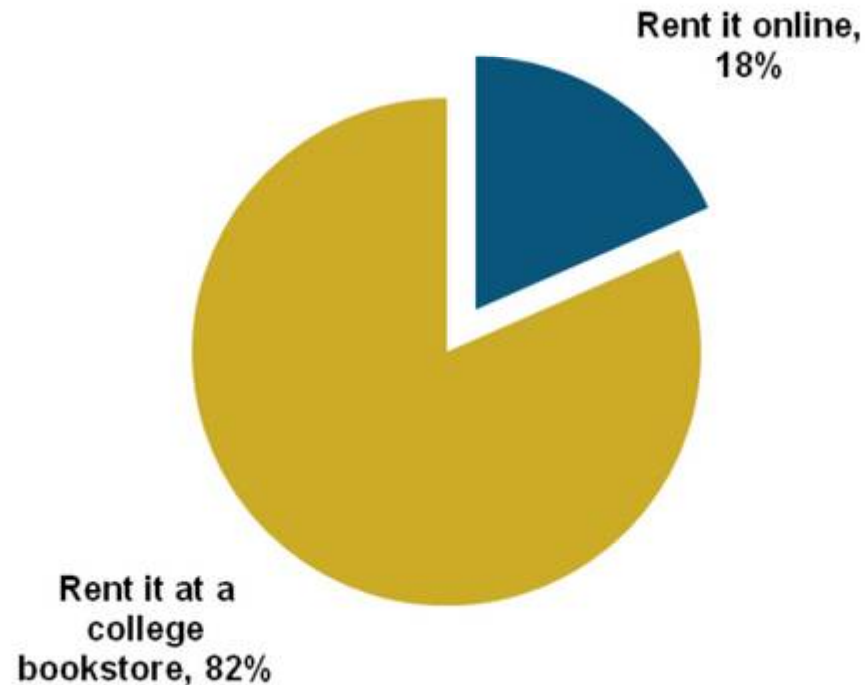
Units as a % of all books (new and used, bought and rented)



Rental – Students prefer to rent at the bookstore

Suppose you wanted to rent a textbook and you found that the price to rent it online was the same as the price you could rent it for at a college bookstore.

Where would you be more likely to rent the book?



Source: Crux Surveys

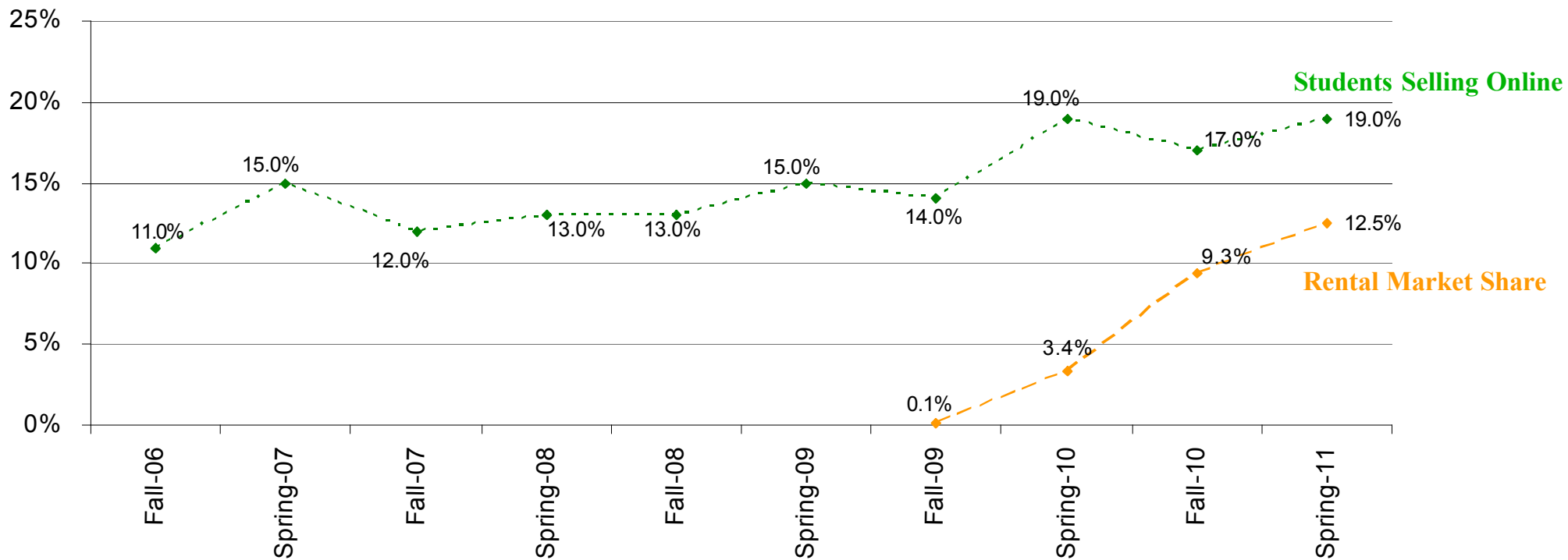
Rental will change the supply dynamics of industry

- Boost at our buyback counter
 - Historically only 30-35% of books get returned – Renting *requires* return
- Possible negative effect on 3rd Party online sellers
 - Historically had price advantage but disadvantages with sourcing supply and inconvenience of returning book
 - Rental offers competitive pricing and limits the supply of books available to professional sellers

Source: Crux Fall 2010 Survey

Internet trends

- Student selling stabilized; rental adoption growing



Students Selling Online = % Student actually selling textbooks on the internet

Rental Market Share = Market share of textbooks rented

Source: Crux Surveys

E-books – experience in the textbook industry

Digital books remain a small part of the market and adoption of digital media in the college textbook market faces significant barriers

Early predictions on adoption have failed to materialize

- In the early 2000s, firms such as Forrester, Jupiter, and PricewaterhouseCoopers predicted digital textbooks would gain substantial unit market share by mid-decade
- However, E-books have been in existence for over 10 years, and have yet to gain meaningful market traction

Digital market share remains immaterial

- Independent surveys suggest that digital books currently account for less than 4% of the market
- NBC has been selling digital books through a partnership with CourseSmart, the publishers' consortium for e-books for over 5 years
- More than 12,000 titles are offered and less than 400 units have been sold this fiscal year

Barriers to adoption of digital media in the college textbook market

Student Issues

- No price advantage
- Concerns over ease of use (linear reading vs. studying)
- Fear of device failure

Professor/University Issues

- Challenge to academic freedom
- Alters teaching methods
- Possible legal challenges

Publisher Issues

- Margin pressure
- New customer service challenges
- Two products – expensive to support



NBC Strategy and Action Plan

Strategy and Action Plan

Rent Every Book

Launched Neebo.com

Continue to add contract-managed on-campus stores

Improve General Merchandise assortment and merchandising

Operational initiatives to increase profitability through cost savings, optimizing inventory, and other initiatives

Rent Every Book

- Students are attracted to the rental value proposition and prefer renting at the local bookstore
- The Rent Every Book model capitalizes on NBC's unique competitive strengths; physical locations, supply of used books and extensive pricing knowledge
- Test results support our belief that Rent Every Book model improves traffic to our stores, increases in-store buyback and bolsters same store sales
- **Rent Every Book model is price competitive with attractive economics and cash flow**

Investment highlights

Leadership position in large, growing and attractive market

Unique rental model with significant barriers to entry

History of strong financial performance and consistent FCF generation

Disciplined approach to growth

Experienced and proven management team



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