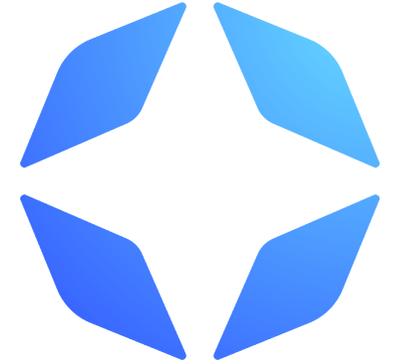


# Greatness Starts Here

We transform organizations by building exceptional leaders, teams, and cultures that get results.



**FranklinCovey™**

# Investor Update

Third Quarter  
Fiscal Year 2024



# Forward-Looking Statements/Non-GAAP



This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon management's current expectations and are subject to various risks and uncertainties including, but not limited to: The ability of the Company to grow revenues; The acceptance of, and renewal rates for our subscription offerings, including the All Access Pass and Leader in Me memberships; The ability of the Company to hire productive sales and other client-facing professionals; General economic conditions; Competition in the Company's targeted marketplace; Market acceptance of new offerings or services and marketing strategies; Changes in the Company's market share; Changes in the size of the overall market for the Company's products; Changes in the training and spending policies of the Company's clients, and other factors identified and discussed in the Company's most recent Annual Report on Form 10-K and other periodic reports filed with the Securities and Exchange Commission. Many of these conditions are beyond our control or influence, any one of which may cause future results to differ materially from the Company's current expectations, and there can be no assurance the Company's actual future performance will meet management's expectations. These forward-looking statements are based on management's current expectations, and we undertake no obligation to update or revise these forward-looking statements to reflect events or circumstances after the date of today's presentation, except as required by law.

The Securities and Exchange Commission's Regulation G applies to any public disclosure or release of material information that includes a non-GAAP financial measure. In the event of such a disclosure or release, Regulation G requires: (i) the presentation of the most directly comparable financial measure calculated and presented in accordance with GAAP and (ii) a reconciliation of the differences between the non-GAAP financial measure presented and the most directly comparable financial measure calculated and presented in accordance with GAAP. The required presentations and reconciliations are contained herein and can be found at our website at [www.franklincovey.com](http://www.franklincovey.com).

Franklin Covey uses the non-GAAP financial measure "earnings before interest, taxes, depreciation and amortization" ("EBITDA") to assess the operating results and effectiveness of the Company's ongoing training and consulting business. In addition, the Company also uses the non-GAAP financial measure "Adjusted EBITDA" as a representation of the Company's operating performance. Adjusted EBITDA is defined as pre-tax net income (loss), plus depreciation and amortization, net interest income (expense), and special charges, such as the gain on the sale of the Japan Products division in Fiscal 2010, restructuring costs, and asset impairment changes. The Company finds these non-GAAP financial measures to be useful when evaluating its operating and financial performance. These non-GAAP financial measures may not be comparable to similar measures used by other companies and should not be used as a substitute for revenue, net income (loss) or other GAAP operating measures.

# Franklin Covey

Third Quarter and LTM Third Quarter FY24 Unaudited



**\$73.4M**

**Revenue**

\$71.4 Q3FY23

**\$13.9M**

**Adjusted EBITDA**

\$11.9 Q3FY23

**\$30.6M**

**YTD Free Cash Flow**

\$15.6M YTD Q3FY23

**\$153.2M**

**Billed & Unbilled  
Deferred Revenue**

\$140.9M Q3FY23

# Drivers of Growth and Value



Driver 1

**ADDRESSING  
CLIENT'S  
MISSION  
CRITICAL  
CHALLENGES**

Driver 2

**STRONG LEADING  
INDICATORS OF  
FUTURE GROWTH**

Driver 3

**STRENGTH OF  
BUSINESS MODEL**

Driver 4

**INVEST CASH AT  
HIGH RATES OF  
RETURN**

# Leading Indicators of Future Growth

Third Quarter and LTM Third Quarter FY24 Unaudited



**\$83.8M**

**Deferred Revenue**

\$72.7M Q3FY23

**\$69.4M**

**Unbilled Deferred Revenue**

\$68.2M Q3FY23

# Share Repurchases

Third Quarter and LTM Third Quarter FY24 Unaudited



**\$25.8M**

**YTD Value of Shares Repurchased**

649K Shares

**\$7.4M**

**Q3 Value of Shares Repurchased**

188K Shares

**\$61.4M**

**Last 2 Yrs Value of Shares Repurchased**

**\$50M**

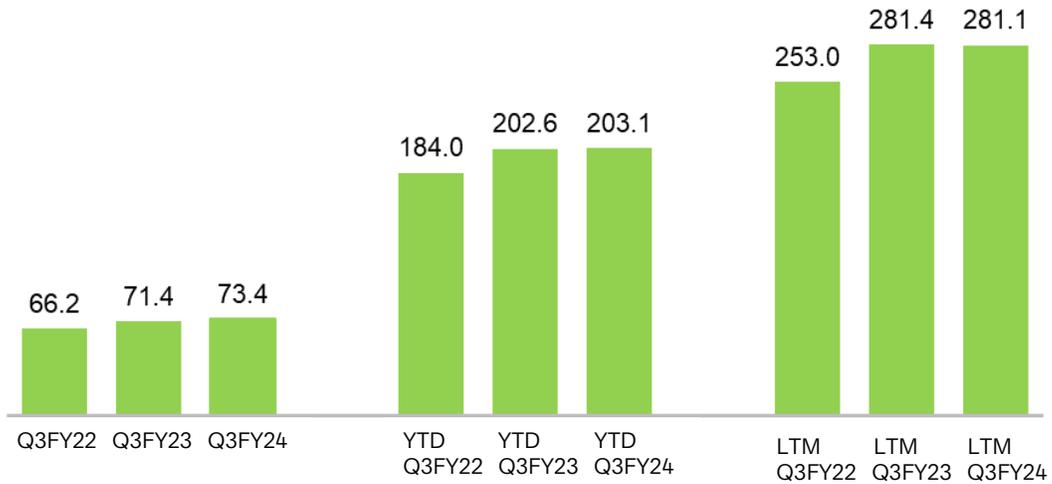
**New Board Stock Repurchase Authorization**

# Franklin Covey

Third Quarter and LTM Third Quarter FY24 Unaudited



## Revenue



## Adjusted EBITDA



# Enterprise Division - North America

Third Quarter and LTM Third Quarter FY24 Unaudited



**\$39.0M**

**Revenue**

\$111.4M YTD  
\$149.8M LTM

**\$22.0M**

**Subscription Revenue**

\$66.5M YTD  
\$88.5M LTM

**\$35.9M**

**Subscription & Subscription  
Services Revenue**

\$102.2M YTD  
\$137.3M LTM

**\$111.6M**

**Deferred Revenue**  
(Billed & Unbilled)

\$108.2M Q3FY23

**60%**

**AAP Multi-Year Contract Value**  
(in North America)

57% Q3FY23

# Enterprise Division - International

Third Quarter and LTM Third Quarter FY24 Unaudited



**\$8.5M**

**Revenue - International Direct**

\$24.4M YTD  
\$33.9M LTM

**\$2.7M**

**Revenue - International Licensee  
Partners**

\$8.8M YTD  
\$11.4M LTM

# Education Division

Third Quarter and LTM Third Quarter FY24 Unaudited



**\$20.1M**

**Revenue**

\$49.4M YTD  
\$73.5M LTM

**\$18.9M**

**Invoiced Amounts**

\$37.0M YTD  
\$82.3M LTM

**\$18.2M**

**Subscription Revenue**

\$44.3M YTD  
\$67.3M LTM

**\$28.9M**

**Deferred Revenue**

(Billed & Unbilled)  
\$20.3M Q3FY23

# Free Cash Flow

(In Thousands)



	Three Quarters Ended	
	May 31, 2024	May 31, 2023
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 11,446	\$ 10,969
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,198	6,401
Amortization of capitalized curriculum costs	2,340	2,385
Impairment of asset	928	-
Stock-based compensation	7,092	9,357
Deferred income taxes	(169)	2,399
Change in fair value of contingent consideration liabilities	-	7
Amortization of right-of-use operating lease assets	596	633
Changes in working capital	9,954	(6,204)
Net cash provided by operating activities	<u>38,385</u>	<u>25,947</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(2,618)	(3,545)
Curriculum development costs	(5,195)	(6,841)
Net cash used for investing activities	<u>(7,813)</u>	<u>(10,386)</u>
<b>Free Cash Flow</b>	<b><u>\$ 30,572</u></b>	<b><u>\$ 15,561</u></b>



# Appendix

# Other Information



## **OTHER INCOME STATEMENT INFORMATION:**

- Depreciation: \$4.3M in FY2023, expected to total approximately \$4.4M in FY2024.
- Amortization: \$4.3M in FY2023, expected to total approximately \$4.3M in FY2024.
- Net Interest Expense: \$.5M in FY2023, expected to total approximately \$.2M in FY2024.
- Share-based Compensation, Impaired Assets, Restructuring, Accrued Earnout and Other amounts excluded from Adjusted EBITDA totaling \$13.8M in FY2023; expected to total approximately \$14.5M in FY2024.
- Effective Tax Rate: Our normalized future effective tax rate is expected to eventually be 28% to 32%, before unusual permanent book/tax differences. The actual tax rate could be a significantly different percentage, and we are not projecting an FY24 effective rate.

## **OTHER INFORMATION:**

- Capital Expenditures: \$4.5M in FY2023, expected to total approximately \$3.5M to \$4.5M in FY2024.
- Capitalized Curriculum excluding acquired content: \$9.0M in FY2023, expected to total approximately \$6.0M to \$8.0M in FY2024.
- Share Count: 13,082k shares outstanding as of May 31, 2024. The Company's share count may increase due to the vesting and exercise of share-based awards and purchases by Employees under our Employee Stock Purchase Plan and decrease due to the company buying back shares.
- There were 269 salespeople on May 31, 2024.
- The impact of FX on Revenue and Adjusted EBITDA in Q3FY24 was an unfavorable \$500K and \$300K, respectively. The year-to-date impact of FX on Revenue and Adjusted EBITDA was an unfavorable \$700K and \$500K, respectively.

*All the above-mentioned estimates are subject to change, perhaps materially, based on actual events and circumstances in the year.*

# Franklin Covey Financial Headlines

(in millions and unaudited)



	<u>Q3 FY 24</u>	<u>Q3 FY 23</u>	<u>Chg</u>	<u>%</u>	<u>YTD Q3FY24</u>	<u>YTD Q3FY23</u>	<u>Chg</u>	<u>%</u>	<u>LTM Q3 FY 24</u>	<u>LTM Q3 FY 23</u>	<u>Chg</u>	<u>%</u>
Revenue	\$ 73.4	\$ 71.4	\$ 1.9	2.7%	\$ 203.1	\$ 202.6	\$ 0.5	0.3%	\$ 281.1	\$ 281.4	(\$0.3)	-0.1%
Cost of Sales	17.2	17.2	(0.0)	-0.2%	47.8	48.4	(0.6)	-1.3%	66.4	68.1	(1.7)	-2.5%
Gross Profit	56.2	54.2	2.0	3.6%	155.3	154.2	1.2	0.7%	214.6	213.3	1.4	0.7%
Gross Profit %	76.6%	75.9%	69	bps	76.5%	76.1%	36	bps	76.4%	75.8%	58	bps
Operating SG&A	42.3	42.3	(0.1)	-0.1%	123.0	122.6	0.4	0.3%	165.8	168.3	(2.6)	-1.5%
Operating SG&A %	57.6%	59.3%	163	bps	60.6%	60.5%	(2)	bps	59.0%	59.8%	84	bps
Adjusted EBITDA	\$ 13.9	\$ 11.9	\$ 2.0	17.0%	\$ 32.3	\$ 31.6	\$ 0.8	2.5%	\$ 48.8	\$ 44.9	\$ 3.9	8.8%
Adjusted EBITDA %	19.0%	16.7%			15.9%	15.6%			17.4%	16.0%		

Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

# Franklin Covey Highlights

(in millions and unaudited)



### REVENUE



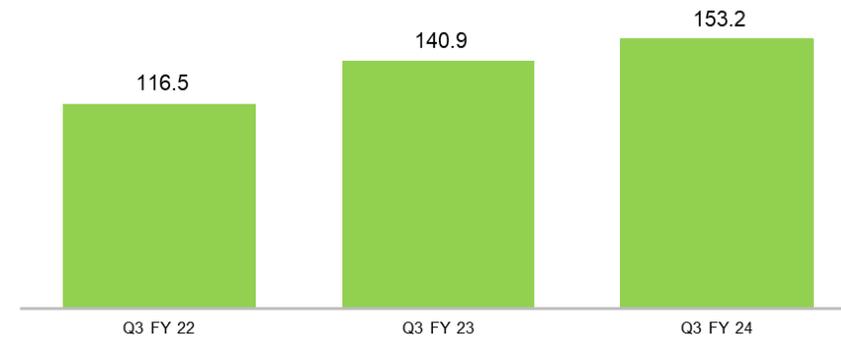
### ADJUSTED EBITDA



### SUBSCRIPTION AND SUBSCRIPTION SERVICES REVENUE



### DEFERRED & UNBILLED DEFERRED SUBSCRIPTION REVENUE



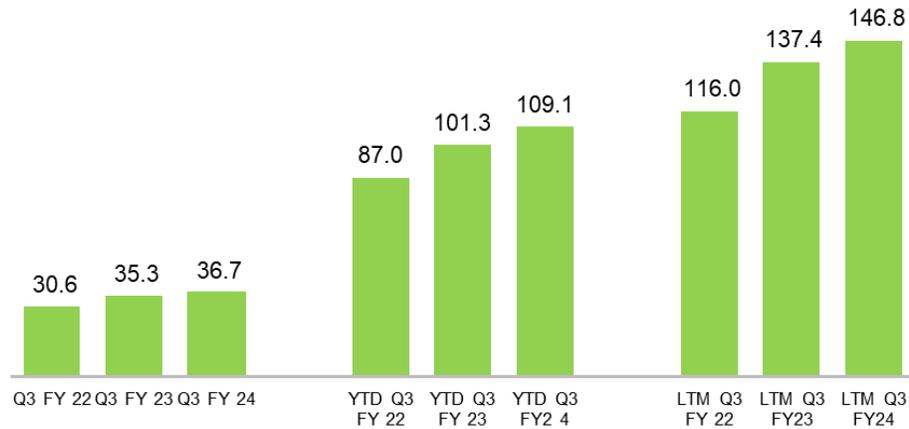
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

# Trends in the Business

(in millions and unaudited)



### SUBSCRIPTION REVENUE



### AAP AND OTHER SUBSCRIPTION REVENUE



### EDUCATION SUBSCRIPTION REVENUE



# Revenue Information

(in millions and unaudited)



	FY 2022					FY 2023					FY 2024		
	Q1	Q2	Q3	Q4	FY2022	Q1	Q2	Q3	Q4	FY2023	Q1	Q2	Q3
<b>Revenue</b>													
<b>Reported Revenue</b>	61.3	56.6	66.2	78.8	262.8	69.4	61.8	71.4	78.0	280.5	68.4	61.3	73.4
Change in Deferred Revenue	(9.3)	2.6	(1.8)	19.5	11.0	(11.4)	(0.6)	(3.4)	26.3	11.0	(11.9)	(1.1)	(2.3)
<b>Invoiced Amount</b>	52.0	59.2	64.4	98.3	273.9	58.0	61.2	68.1	104.3	291.5	56.5	60.2	71.1
<b>Balance Sheet</b>													
<b>Roll-Forward of Deferred Subscription Revenue</b>													
Beginning Balance (deferred revenue)	77.0	67.8	70.4	68.5	77.0	88.1	76.7	76.1	72.7	88.1	99.0	87.2	86.1
Subscription Invoiced	19.1	30.6	28.8	55.6	134.1	21.6	32.3	31.9	64.0	150.0	24.7	34.6	34.5
Amounts Recorded to Revenue	(28.4)	(28.0)	(30.6)	(36.1)	(123.1)	(33.0)	(32.9)	(35.3)	(37.7)	(139.0)	(36.6)	(35.7)	(36.7)
Change in Deferred Revenue	(9.3)	2.6	(1.8)	19.5	11.0	(11.4)	(0.6)	(3.4)	26.3	11.0	(11.9)	(1.1)	(2.3)
FX, 606, and Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance (Def Subscription Revenue)	67.8	70.4	68.5	88.1	88.1	76.7	76.1	72.7	99.0	99.0	87.2	86.1	83.8
<b>Unbilled Deferred Contracts</b>													
Beginning Balance (off balance sheet)	50.4	53.4	49.0	48.0	50.4	65.4	74.9	69.7	68.2	65.4	87.4	82.5	72.7
New Unbilled Contracts	8.6	9.4	8.0	27.4	53.4	14.7	11.7	8.9	31.9	67.0	7.2	8.8	8.9
Amounts Invoiced	(5.6)	(13.8)	(9.0)	(10.0)	(38.4)	(5.1)	(16.9)	(10.3)	(12.6)	(45.0)	(11.7)	(18.5)	(12.2)
Ending Balance (off balance sheet)	53.4	49.0	48.0	65.4	65.4	74.9	69.7	68.2	87.4	87.4	82.5	72.7	69.4
<b>Breakout of Deferred Sales (above)</b>													
<b>Subscription Invoiced Amounts</b>													
All Access Pass Subscriptions	16.4	28.2	20.8	26.7	92.1	18.6	28.4	20.8	28.9	96.7	19.4	28.3	23.0
Education Subscription Contracts	2.5	2.1	7.8	26.9	39.3	2.9	2.6	9.2	32.9	47.6	3.4	4.7	9.2
Other	0.2	0.3	0.2	2.0	2.7	0.2	1.4	1.9	2.2	5.7	1.9	1.6	2.3
Total Additions to balance sheet	19.1	30.6	28.8	55.6	134.1	21.6	32.3	31.9	64.0	150.0	24.7	34.6	34.5

**Notes:**

- Invoiced Amounts represent the amount billed (invoiced) in the period. The Invoiced Amount is equal to Reported Net Revenue, plus the associated change in Deferred Subscription Revenue on the balance sheet (adjusted for FX). AAP Subscriptions, Education Memberships, and Other Invoiced Subscriptions are all Invoiced Amounts. Unbilled portions of multi-year agreements are not included.
- The Difference between Change in Deferred Revenue, which is added to Reported Net Revenue to equal the Invoiced Amount, and the Change in Deferred Revenue on the balance sheet is adjustments for FX, acquisitions and other. Q1 of FY2019 also includes the adjustment attributed to the adoption of Topic 606.

- Certain historical amounts have been adjusted to conform with the current presentation.
- Deferred Revenue is primarily a current liability. However, a small portion is long-term and recorded as a part of Other Liabilities. See Notes in the 10-K.
- Education Subscription Contracts consists of membership subscriptions which is recognized as Revenue over the course of the contract and Consulting which is recognized as Revenue upon delivery. These combined performance obligations are contracted, invoiced and paid together. See Deferred Subscription Revenue in the Definitions

# Franklin Covey Contracts Signed

(in millions and unaudited)



Third Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY24	FY23	Change	%	FY24	FY23	Change	%	FY24	FY23	Change	FY24	FY23	Change	%
Revenue	52.0	53.2	(1.2)	-2.2%	20.1	17.1	3.0	17.5%	1.3	1.1	0.1	73.4	71.4	1.9	2.7%
Change in Deferred Subscription Revenue	(1.0)	(2.6)	1.6	-60.2%	(1.2)	(0.8)	(0.5)	58.7%	(0.0)	(0.0)	(0.0)	(2.3)	(3.4)	1.1	-33.2%
Invoiced Amounts	51.0	50.6	0.4	0.8%	18.9	16.3	2.5	15.6%	1.3	1.1	0.1	71.1	68.1	3.1	4.5%
Change in Unbilled Deferred Revenue	(3.3)	(1.6)	(1.8)		(0.0)	0.1	(0.1)		0.0	0.0	-	(3.4)	(1.5)	(1.9)	
Total Contracts Signed	47.7	49.0	(1.4)	-2.8%	18.8	16.4	2.4	14.8%	1.3	1.1	0.1	67.8	66.6	1.2	1.8%

Year to Date	Enterprise Division				Education Division				Corporate			Total Company					
	FY24	FY23	Change	%	#	FY24	FY23	Change	%	#	FY24	FY23	Change	FY24	FY23	Change	%
Revenue	150.3	153.2	(2.9)	-1.9%		49.4	45.6	3.8	8.3%		3.4	3.7	(0.3)	203.1	202.6	0.5	0.3%
Change in Deferred Subscription Revenue	(2.8)	(2.0)	(0.9)	43.4%		(12.4)	(13.3)	0.9	-7.0%		(0.0)	-	(0.0)	(15.2)	(15.3)	0.1	-0.5%
Invoiced Amounts	147.5	151.3	(3.8)	-2.5%		37.0	32.3	4.7	14.6%		3.4	3.7	(0.3)	187.9	187.2	0.6	0.3%
Change in Unbilled Deferred Revenue	(17.9)	2.7	(20.6)	-761.5%		(0.1)	0.1	(0.2)	-229.5%		0.0	(0.0)	0.0	(18.0)	2.8	(20.8)	-741.9%
Total Contracts Signed	129.6	154.0	(24.3)	-15.8%		36.9	32.4	4.5	13.8%		3.4	3.7	(0.3)	169.9	190.1	(20.2)	-10.6%

LTM Third Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY24	FY23	Change	%	FY24	FY23	Change	%	FY24	FY23	Change	FY24	FY23	Change	%
Revenue	202.8	205.4	(2.6)	-1.3%	73.5	70.3	3.2	4.6%	4.8	5.7	(0.9)	281.1	281.4	(0.3)	-0.1%
Change in Deferred Subscription Revenue	2.3	1.5	0.8	48.8%	8.8	2.7	6.1	230.5%	(0.0)	0.0	(0.0)	11.1	4.2	6.9	163.6%
Invoiced Amounts	205.1	207.0	(1.9)	-0.9%	82.3	72.9	9.3	12.8%	4.8	5.7	(0.9)	292.1	285.6	6.6	2.3%
Change in Unbilled Deferred Revenue	1.4	20.3	(18.8)	-92.9%	(0.2)	(0.0)	(0.2)	394.0%	0.0	(0.0)	0.0	1.2	20.2	(19.0)	-94.0%
Total Contracts Signed	206.5	227.2	(20.7)	-9.1%	82.0	72.9	9.1	12.6%	4.8	5.7	(0.9)	293.3	305.8	(12.4)	-4.1%

As of May 31	Enterprise Division				Education Division				Corporate			Total Company			
	FY24	FY23	Change	%	FY24	FY23	Change	%	FY24	FY23	Change	FY24	FY23	Change	%
Deferred Subscription Revenue Balance	55.6	53.3	2.2	4.2%	28.2	19.4	8.8	45.5%	-	-	-	83.8	72.7	11.1	15.2%
Unbilled Deferred Revenue Balance	68.7	67.3	1.4	2.1%	0.7	0.9	(0.2)	-26.1%	-	-	-	69.4	68.2	1.2	1.8%
Total	124.3	120.6	3.7	3.1%	28.9	20.3	8.6	42.3%	-	-	-	153.2	140.9	12.3	8.7%

Notes:

- Please compare this information to the Segment Information footnote in Form 10-K.
- Please refer to Definitions in the Appendix for the definition of Deferred Revenue and Unbilled Deferred Revenue.
- May not total due to rounding.

# Reconciliation of Net Income to Adjusted EBITDA

(in thousands and unaudited)



	Quarter Ended		Three Quarters Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 5,721	\$ 4,563	\$ 11,446	\$ 10,969
Adjustments:				
Interest expense (income), net	(21)	(8)	59	369
Income tax provision	2,643	2,017	3,609	4,455
Amortization	1,062	1,086	3,204	3,270
Depreciation	990	934	2,994	3,131
Stock-based compensation	2,828	3,307	7,092	9,357
Restructuring costs	701	-	3,008	-
Impaired asset	-	-	928	-
Increase in the fair value of contingent consideration liabilities	-	-	-	7
Adjusted EBITDA	<u>\$ 13,924</u>	<u>\$ 11,899</u>	<u>\$ 32,340</u>	<u>\$ 31,558</u>
Adjusted EBITDA margin	19.0%	16.7%	15.9%	15.6%

Note: The term Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Income (Loss) to Adjusted EBITDA.

# Additional Financial Information

(in thousands and unaudited)



	Quarter Ended		Three Quarters Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
<b>Sales by Division/Segment:</b>				
Enterprise Division:				
Direct offices	\$ 49,334	\$ 50,382	\$ 141,509	\$ 144,194
International licensees	2,701	2,835	8,826	9,048
	52,035	53,217	150,335	153,242
Education Division	20,079	17,082	49,402	45,631
Corporate and other	1,259	1,142	3,372	3,692
<b>Consolidated</b>	<b>\$ 73,373</b>	<b>\$ 71,441</b>	<b>\$ 203,109</b>	<b>\$ 202,565</b>
<b>Gross Profit by Division/Segment:</b>				
Enterprise Division:				
Direct offices	\$ 40,172	\$ 40,425	\$ 115,186	\$ 116,199
International licensees	2,435	2,549	7,861	8,184
	42,607	42,974	123,047	124,383
Education Division	13,179	10,929	31,157	28,497
Corporate and other	420	330	1,132	1,305
<b>Consolidated</b>	<b>\$ 56,206</b>	<b>\$ 54,233</b>	<b>\$ 155,336</b>	<b>\$ 154,185</b>
<b>Adjusted EBITDA by Division/Segment:</b>				
Enterprise Division:				
Direct offices	\$ 12,170	\$ 11,322	\$ 32,978	\$ 32,212
International licensees	1,334	1,415	4,571	4,787
	13,504	12,737	37,549	36,999
Education Division	3,080	1,649	2,593	1,309
Corporate and other	(2,660)	(2,487)	(7,802)	(6,750)
<b>Consolidated</b>	<b>\$ 13,924</b>	<b>\$ 11,899</b>	<b>\$ 32,340</b>	<b>\$ 31,558</b>

Note: The term Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Income (Loss) to Adjusted EBITDA.

# Condensed Consolidated Balance Sheets

(in thousands and unaudited)



	May 31, 2024	August 31, 2023
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 36,574	\$ 38,230
Accounts receivable, less allowance for doubtful accounts of \$3,111 and \$3,790	60,424	81,935
Inventories	4,644	4,213
Prepaid expenses and other current assets	18,389	20,639
Total current assets	120,031	145,017
Property and equipment, net	8,631	10,039
Intangible assets, net	38,808	40,511
Goodwill	31,220	31,220
Deferred income tax assets	1,636	1,661
Other long-term assets	20,645	17,471
	<u>\$ 220,971</u>	<u>\$ 245,919</u>

	May 31, 2024	August 31, 2023
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Current portion of notes payable	\$ 2,085	\$ 5,835
Current portion of financing obligation	3,810	3,538
Accounts payable	6,185	6,501
Deferred subscription revenue	80,092	95,386
Customer deposits	22,204	12,137
Accrued liabilities	22,215	28,252
Total current liabilities	136,591	151,649
Notes payable, less current portion	761	1,535
Financing obligation, less current portion	1,533	4,424
Other liabilities	8,076	7,617
Deferred income tax liabilities	1,847	2,040
Total liabilities	148,808	167,265
Shareholders' equity:		
Common stock	1,353	1,353
Additional paid-in capital	228,612	232,373
Retained earnings	111,248	99,802
Accumulated other comprehensive loss	(1,250)	(987)
Treasury stock at cost, 13,969 and 13,974 shares	(267,800)	(253,887)
Total shareholders' equity	72,163	78,654
	<u>\$ 220,971</u>	<u>\$ 245,919</u>

# Condensed Consolidated Income Statements

(in thousands, except per-share amounts, and unaudited)



	Quarter Ended		Three Quarters Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Revenue	\$ 73,373	\$ 71,441	\$ 203,109	\$ 202,565
Cost of revenue	17,167	17,208	47,773	48,380
Gross profit	56,206	54,233	155,336	154,185
Selling, general, and administrative	45,110	45,641	130,088	131,991
Restructuring costs	701	-	3,008	-
Impaired asset	-	-	928	-
Depreciation	990	934	2,994	3,131
Amortization	1,062	1,086	3,204	3,270
<b>Income from operations</b>	<b>8,343</b>	<b>6,572</b>	<b>15,114</b>	<b>15,793</b>
Interest expense, net	21	8	(59)	(369)
<b>Income before income taxes</b>	<b>8,364</b>	<b>6,580</b>	<b>15,055</b>	<b>15,424</b>
Income tax provision	(2,643)	(2,017)	(3,609)	(4,455)
<b>Net income</b>	<b>\$ 5,721</b>	<b>\$ 4,563</b>	<b>\$ 11,446</b>	<b>\$ 10,969</b>
Net income per common share:				
Basic	\$ 0.43	\$ 0.33	\$ 0.87	\$ 0.79
Diluted	0.43	0.32	0.85	0.76
Weighted average common shares:				
Basic	13,160	13,621	13,222	13,799
Diluted	13,378	14,273	13,499	14,437
Other data:				
Adjusted EBITDA <sup>(1)</sup>	\$ 13,924	\$ 11,899	\$ 32,340	\$ 31,558

(1) The term Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Income (Loss) to Adjusted EBITDA.

# Free Cash Flow

(in thousands)



	Three Quarters Ended	
	May 31, 2024	May 31, 2023
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 11,446	\$ 10,969
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,198	6,401
Amortization of capitalized curriculum costs	2,340	2,385
Impairment of asset	928	-
Stock-based compensation	7,092	9,357
Deferred income taxes	(169)	2,399
Change in fair value of contingent consideration liabilities	-	7
Amortization of right-of-use operating lease assets	596	633
Changes in working capital	9,954	(6,204)
Net cash provided by operating activities	<u>38,385</u>	<u>25,947</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(2,618)	(3,545)
Curriculum development costs	(5,195)	(6,841)
Net cash used for investing activities	<u>(7,813)</u>	<u>(10,386)</u>
<b>Free Cash Flow</b>	<b><u>\$ 30,572</u></b>	<b><u>\$ 15,561</u></b>

# Enterprise Division Financial Summary

(in millions and unaudited)



	<u>Q3 FY 24</u>	<u>Q3 FY 23</u>	<u>Chg</u>	<u>%</u>	<u>YTD Q3FY24</u>	<u>YTD Q3FY23</u>	<u>Chg</u>	<u>%</u>	<u>LTM Q3 FY 24</u>	<u>LTM Q3 FY 23</u>	<u>Chg</u>	<u>%</u>
Revenue	\$ 52.0	\$ 53.2	(\$1.2)	-2.2%	\$ 150.3	\$ 153.2	(\$2.9)	-1.9%	\$ 202.8	\$ 205.4	(\$2.6)	-1.3%
Cost of Sales	9.4	10.2	(0.8)	-8.0%	27.3	28.9	(1.6)	-5.4%	36.7	39.2	(2.6)	-6.5%
Gross Profit	42.6	43.0	(0.4)	-0.9%	123.0	124.4	(1.3)	-1.1%	166.1	166.2	(0.1)	-0.1%
Gross Profit %	81.9%	80.8%	113	bps	81.8%	81.2%	68	bps	81.9%	80.9%	101	bps
Operating SG&A	29.1	30.2	(1.1)	-3.7%	85.5	87.4	(1.9)	-2.2%	115.5	119.8	(4.3)	-3.6%
Operating SG&A %	55.9%	56.8%	89	bps	56.9%	57.0%	15	bps	56.9%	58.3%	138	bps
Adjusted EBITDA	\$ 13.5	\$ 12.7	\$ 0.8	6.0%	\$ 37.5	\$ 37.0	\$ 0.5	1.5%	\$ 50.6	\$ 46.4	\$ 4.2	9.1%
Adjusted EBITDA %	26.0%	23.9%			25.0%	24.1%			25.0%	22.6%		

Note: The term Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Income (Loss) to Adjusted EBITDA.

# Enterprise Division Financial Summary

(in millions and unaudited)



## REVENUE



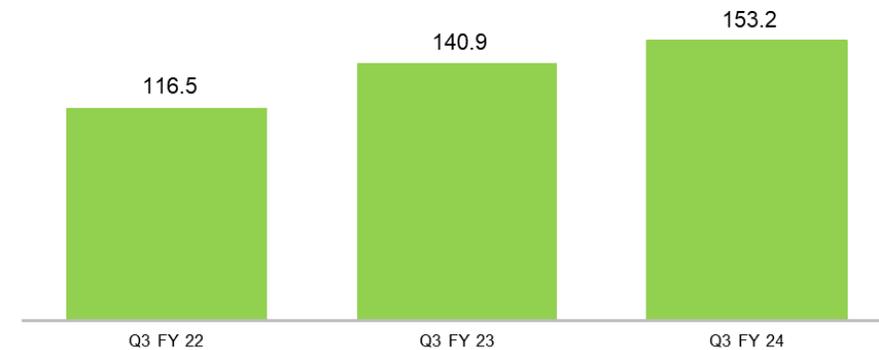
## AAP SUBSCRIPTION AND SUBSCRIPTION SERVICES



## INVOICED



## DEFERRED & UNBILLED DEFERRED SUBSCRIPTION REVENUE



# Enterprise Division AAP & Related Revenue

(in millions and unaudited)



	LTM Q3FY24	LTM Q3FY23	LTM Q3FY22	Q3FY24	Q2FY24	Q1FY24	Q4FY23	Q3FY23
AAP Sales	\$105.5	\$98.5	\$84.1	\$26.3	\$26.3	\$26.8	\$26.1	\$25.4
AAP Add on Sales*	57.8	58.1	52.1	16.2	11.2	14.8	15.6	16.0
<b>Total AAP and Related</b>	<b>163.3</b>	<b>156.6</b>	<b>136.2</b>	<b>42.6</b>	<b>37.5</b>	<b>41.6</b>	<b>41.7</b>	<b>41.3</b>
<b>AAP Related Services Attach Rate</b>	<b>55%</b>	<b>59%</b>	<b>62%</b>	<b>62%</b>	<b>43%</b>	<b>55%</b>	<b>60%</b>	<b>63%</b>
Legacy Sales	20.4	29.2	33.4	4.9	3.9	5.4	6.2	6.9
International licensees	11.4	11.4	9.8	2.7	2.7	3.4	2.6	2.8
Other Sales	7.6	8.2	8.9	1.9	1.6	2.2	1.9	2.1
<b>Total Enterprise Sales</b>	<b>\$202.8</b>	<b>\$205.4</b>	<b>\$188.3</b>	<b>\$52.0</b>	<b>\$45.7</b>	<b>\$52.6</b>	<b>\$52.4</b>	<b>\$53.2</b>
	LTM Q3FY24	LTM Q3FY23	LTM Q3FY22	Q3FY24	Q2FY24	Q1FY24	Q4FY23	Q3FY23
North America Sales	\$149.8	\$151.3	\$136.3	\$39.0	\$34.1	\$38.4	\$38.4	\$39.1
International Direct Office Sales	33.9	34.5	33.3	\$8.5	\$7.2	\$8.7	\$9.5	\$9.2
Other Sales	7.6	8.2	8.9	1.9	1.6	2.2	1.9	2.1
<b>Total Direct Office Division Sales</b>	<b>191.3</b>	<b>194.0</b>	<b>178.4</b>	<b>49.3</b>	<b>43.0</b>	<b>49.2</b>	<b>49.8</b>	<b>50.4</b>
International Licensees	11.4	11.4	9.8	2.7	2.7	3.4	2.6	2.8
<b>Total Enterprise Sales</b>	<b>\$202.8</b>	<b>\$205.4</b>	<b>\$188.3</b>	<b>\$52.0</b>	<b>\$45.7</b>	<b>\$52.6</b>	<b>\$52.4</b>	<b>\$53.2</b>

# Education Division Financial Summary

(in millions and unaudited)



	<u>Q3 FY 24</u>	<u>Q3 FY 23</u>	<u>Chg</u>	<u>%</u>	<u>YTD Q3FY24</u>	<u>YTD Q3FY23</u>	<u>Chg</u>	<u>%</u>	<u>LTM Q3 FY 24</u>	<u>LTM Q3 FY 23</u>	<u>Chg</u>	<u>%</u>
Sales	\$ 20.1	\$ 17.1	\$ 3.0	17.5%	\$ 49.4	\$ 45.6	\$ 3.8	8.3%	\$ 73.5	\$ 70.3	\$ 3.2	4.6%
Cost of Sales	6.9	6.2	0.7	12.1%	18.2	17.1	1.1	6.5%	26.4	25.3	1.1	4.4%
Gross Profit	13.2	10.9	2.3	20.6%	31.2	28.5	2.7	9.3%	47.1	45.0	2.1	4.7%
Gross Profit %	65.6%	64.0%	166	bps	63.1%	62.5%	62	bps	64.0%	64.0%	8	bps
Operating SG&A	10.1	9.3	0.8	8.8%	28.6	27.2	1.4	5.1%	38.4	37.0	1.3	3.6%
Operating SG&A %	50.3%	54.3%	403	bps	57.8%	59.6%	176	bps	52.2%	52.7%	50	bps
Adjusted EBITDA	\$ 3.1	\$ 1.6	\$ 1.4	86.7%	\$ 2.6	\$ 1.3	\$ 1.3	98.1%	\$ 8.7	\$ 7.9	\$ 0.8	10.0%
Adjusted EBITDA %	15.3%	9.7%			5.2%	2.9%			11.8%	11.3%		

Note: The term Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Income (Loss) to Adjusted EBITDA.

# Education Division Financial Summary

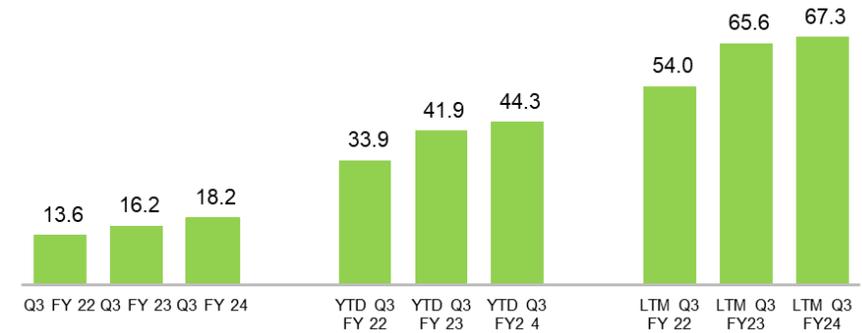
(in millions and unaudited)



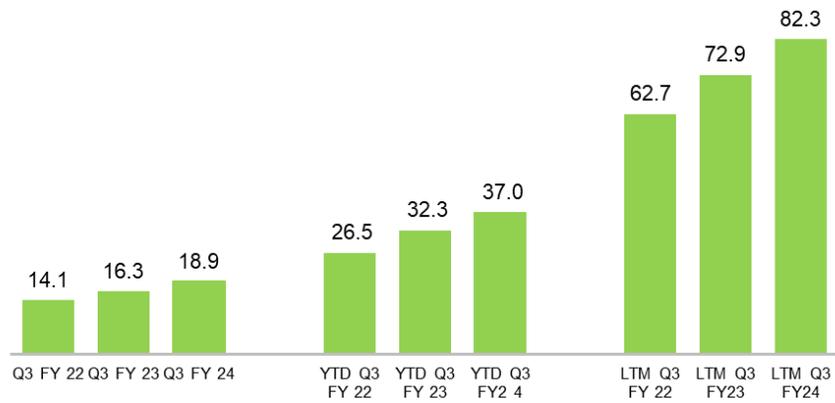
REVENUE\*



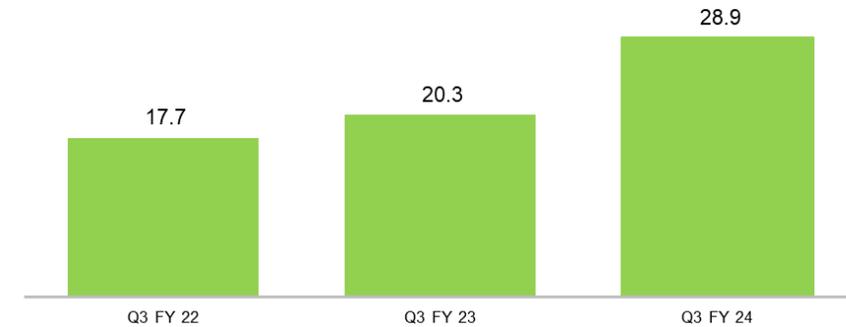
EDUCATION SUBSCRIPTION AND SUBSCRIPTION SERVICES



INVOICED\*



DEFERRED & UNBILLED DEFERRED SUBSCRIPTION REVENUE



During Q3FY24 the Company invoiced \$4.9M related to a new state-wide initiative of which included \$1.4M of classroom and training materials which was recognized as revenue during the quarter.

# Definitions



1. “Deferred Subscription Revenue” primarily consists of billings or payments received in advance of revenue being recognized from subscription services. Deferred revenue is recognized as Revenue as the revenue recognition criteria are met. The Company generally invoices customers in annual installments upon execution of a contract. With the Leader in Me offering, the contract includes both membership and Onsite consulting which can be invoiced to the client in one lump sum. In this circumstance, the entire lump sum is included in Deferred Revenue. The Education Deferred Revenue related to the LIM is recognized as revenue over the life of the contract whereas the consulting is recognized when the consulting takes place. The deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, contract duration, invoice timing and contract size. When Management refers to Deferred Revenue or the change in Deferred Revenue it is primarily referring to the subscription related portion and not the customer deposits and other portions.
2. “Unbilled Deferred Revenue” is an operational measure that represents future billings under our non-cancelable subscription agreements that have not been invoiced and accordingly are not recorded in our recognized revenue or deferred revenue.
3. “Invoiced” is the sum of reported Net Revenue plus the change in Deferred Revenue reported on the balance sheet (a portion of which is recorded as a current liability and a portion as a long-term liability and represents the amount of billings during the period). We typically invoice our customers annually upon execution of the contract or subscription renewals. Our clients frequently prepay for products and services, which prepayment is included in amounts invoiced and corresponding Deferred Revenue. Invoiced amounts does not include items such as deposits that are generally refundable at the client’s request prior to the satisfaction of the performance obligation.
4. “Contracted” is the sum of Invoiced Amounts plus the Change in Unbilled Deferred Revenue (not recorded on the balance sheet) and, as the term reflects represents, the total amount of contracts with customers that were entered into during the period.
5. “Revenue Flow-Through” is the year-over-year change in Adjusted EBITDA divided by the year-over-year change in Revenue.
6. “Subscription Services Revenue” is a sale which has been recognized from a client that has purchased Onsite training or materials in connection with or subsequently to entering into a subscription arrangement. This is in contrast to a Legacy sale which is generally Onsite training or materials for a client which has not entered into a subscription arrangement.
7. “Operating SG&A” is non-GAAP financial measure. It generally excludes stock-based compensation, changes to contingent earn-out liability and unusual or one-time charges. See the Reconciliation of Net Income or Loss to Adjusted EBITDA in additional financial information.

# Definitions



1. “Adjusted EBITDA” (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. A reconciliation of “Adjusted EBITDA,” to consolidated net income (loss), the most comparable GAAP financial measure is provided within this presentation. The Company references this non-GAAP financial measure in its decision making because it provides supplemental information that facilitates consistent internal comparisons to the historical operating performance of prior periods and the Company believes it provides investors with greater transparency to evaluate operational activities and financial results. We are unable to provide a reconciliation of forward-looking estimates of non-GAAP Adjusted EBITDA to GAAP measures because certain information needed to make a reasonable forward-looking estimate is difficult to estimate and dependent on future events which may be uncertain or out of our control, including the amount of AAP contracts invoiced, the number of AAP contracts that are renewed, necessary costs to deliver our offerings such as unanticipated content development costs, and other potential variables. Accordingly, a reconciliation is not available without unreasonable effort.
2. “Client Partner Ramp” is the expected amount of invoiced amounts the Company expects its client partners to generate based upon the length of time the client partner has been in a sales role. This metric measures client partners who are currently employed by the Company and does not subtract any accounts that are transitioned to a client partner from a previous client partner.
3. “North America Revenue” consists of revenue generated by our direct offices in the United States and Canada, including government Revenue.
4. “Constant Currency” Franklin Covey presents constant currency information to provide a framework for assessing how our underlying business performed excluding the effect of foreign currency rate fluctuations. There are several approaches that an entity can take to calculate constant currency information and Franklin Covey’s method may not be consistent with another entity’s constant currency calculation. To calculate this measure, Franklin Covey converts the actual monthly results of our foreign operations, including the results of our International Licenses, into \$USD at the respective prior year monthly exchange rate. The non-GAAP measure should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with generally accepted accounting principles (GAAP).
5. “AAP Revenue Retention Rate” is equal to the revenue from retained All Access Pass customers plus win backs, divided by the prior period total All Access Pass recurring revenue.



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