

Greatness Starts Here

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



FranklinCovey™



Investor Update

Fourth Quarter
Fiscal Year 2023



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.

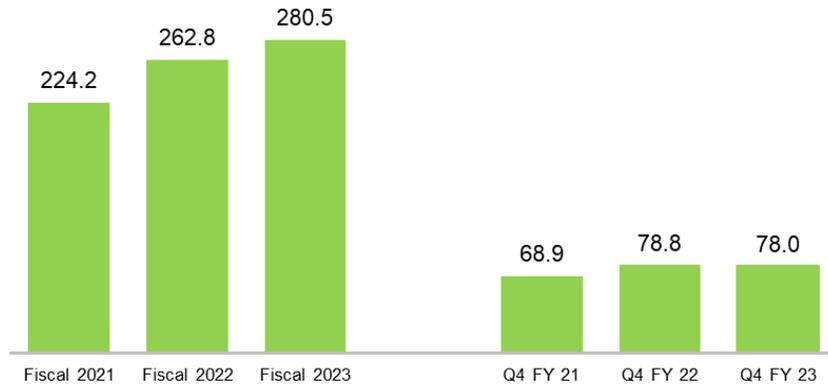
Franklin Covey uses the non-GAAP financial measure "earnings before interest, taxes, depreciation and amortization" ("EBITDA") to assess the operating results and effectiveness of the Company's ongoing training and consulting business. In addition, the Company also uses the non-GAAP financial measure "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.

FranklinCovey Highlights

(in millions and unaudited)



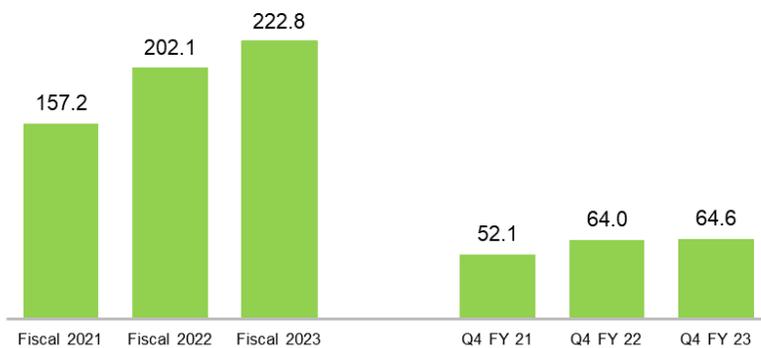
SALES



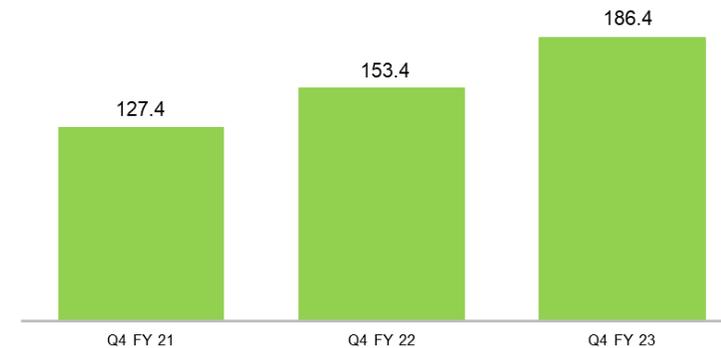
ADJUSTED EBITDA



SUBSCRIPTION & SUBSCRIPTION SERVICES



DEFERRED & UNBILLED DEFERRED REVENUE



FranklinCovey Highlights

(unaudited)



791

New LIM Schools During FY23

\$35.6M

**Repurchases in FY23, 885K Shares
Repurchasing \$59.4M or 1,470K Shares in
Last 2 Years**

Fundamental Priorities



Fundamental Priority 1

Partner of Choice for Our Clients in Addressing Challenges That Matter



- Consistently winning new “logos” or clients.
- Having subscription and subscription services revenue continue to increase as percent of total Company revenue.
- Retaining substantially all our subscription revenue.
- Increasing our average subscription contract size.
- Increasing the percent of logos in multi-year contracts.
- Continuing to have clients purchase a considerable number of services to help them achieve their performance breakthroughs.
- Achieving a high and growing Lifetime Customer Value.

Fundamental Priority 1

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Fundamental Priority 1

Partner of Choice for Our Clients in Addressing Challenges That Matter

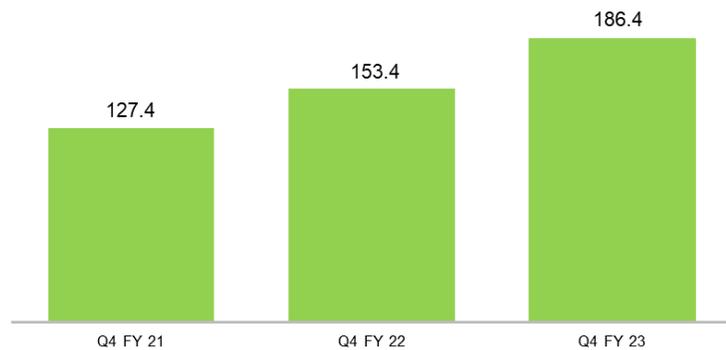


PERCENT OF LOGOS IN MULTI-YEAR CONTRACTS*

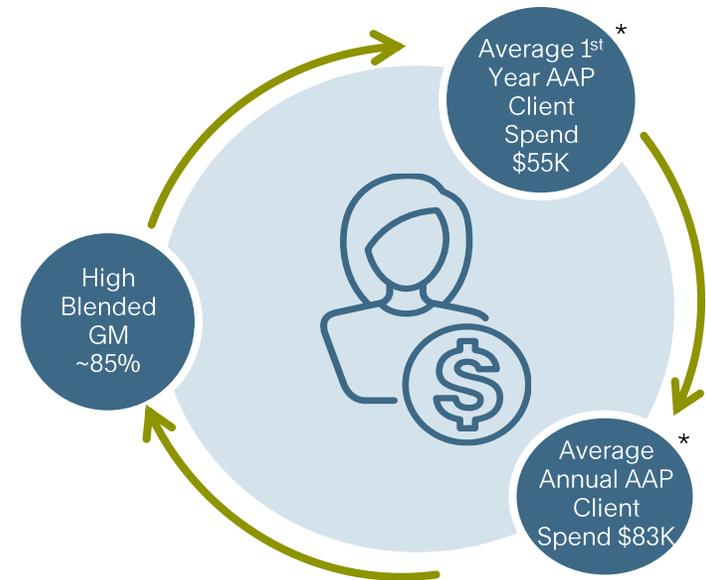


*In Enterprise North America

DEFERRED REVENUE (BILLED & UNBILLED)



AVERAGE CLIENT SPEND



*In Enterprise North America as of FY23

Fundamental Priority 1

Partner of Choice for Our Clients in Addressing Challenges That Matter

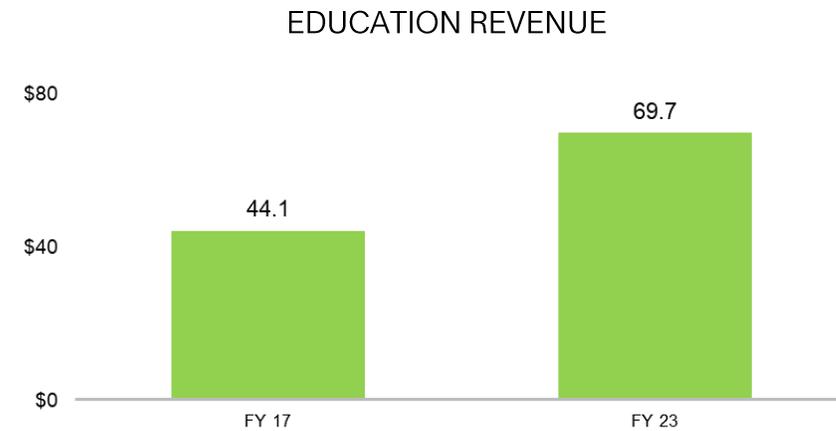
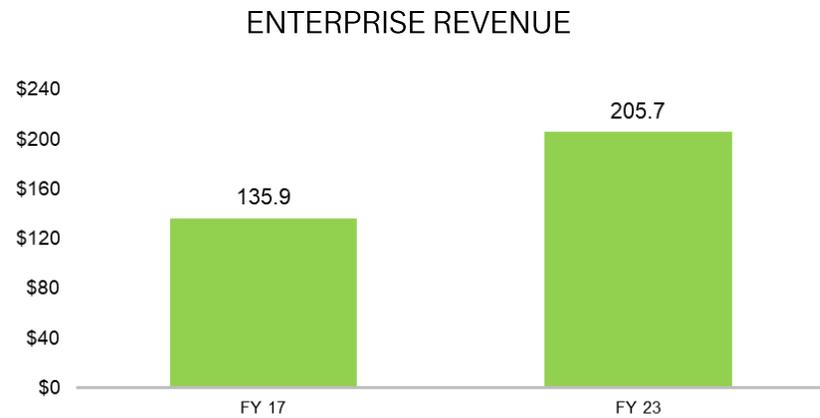


TOTAL SALES (in millions & unaudited)

Period	Revenue	1 Year Change	2 Year Change	2 Year Change Percent
FY17	\$185.3			
FY18	\$209.8	24.5		
FY19	\$225.4	15.6	40.1	22%
FY20	\$198.5	(26.9)	(11.3)	(5%)
FY21	\$224.2	25.7	(1.2)	(1%)
FY22	\$262.8	38.7	64.4	32%
FY23	\$280.5	17.7	56.4	25%

Fundamental Priority 1

Partner of Choice for Our Clients in Addressing Challenges That Matter



Fundamental Priority 1

Partner of Choice for Our Clients in Addressing Challenges That Matter



TOTAL COMPANY SUBSCRIPTION AND SUBSCRIPTION SERVICES
(in millions & unaudited)

Period	Revenue	1 Year Change	2 Year Change	2 Year Change Percent
FY17	\$69.8			
FY18	\$96.9	27.1		
FY19	\$124.1	27.3	54.3	78%
FY20	\$129.7	5.6	32.9	34%
FY21	\$157.2	27.5	33.1	27%
FY22	\$202.1	44.9	72.4	56%
FY23	\$222.8	20.7	65.6	42%

Fundamental Priority 2

Accomplishing Priority 1 with Strong, Profitable Business Model



- Achieving strong gross margins.
- Having a CAC (cost of acquiring a customer) that is less than the revenue generated even in the first year of a subscription contract.
- Having Operating SG&A decrease as a percent of sales.
- Continuing to grow our Adjusted EBITDA which has significant increase to Free Cash Flow.

Fundamental Priority 2

Accomplishing Priority 1 with Strong, Profitable Business Model



- ✓ Achieving strong gross margins.
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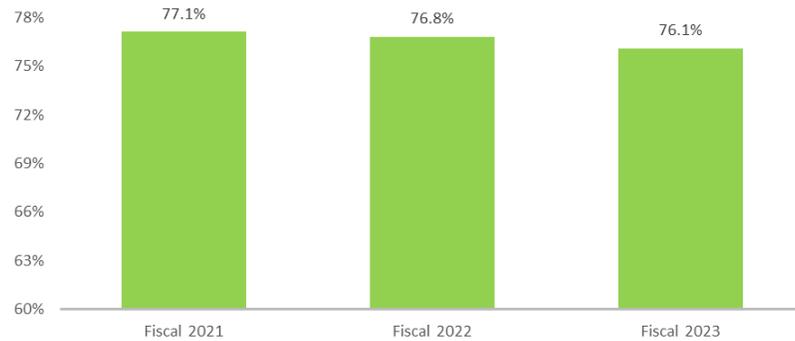
Fundamental Priority 2

Accomplishing Priority 1 with Strong, Profitable Business Model

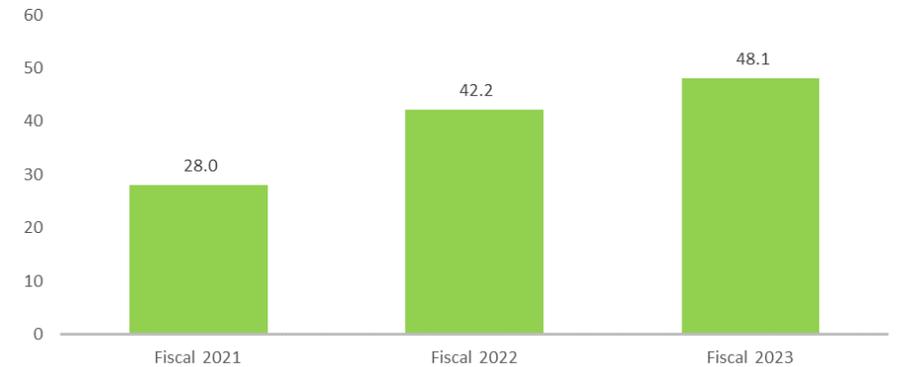
(in millions and unaudited)



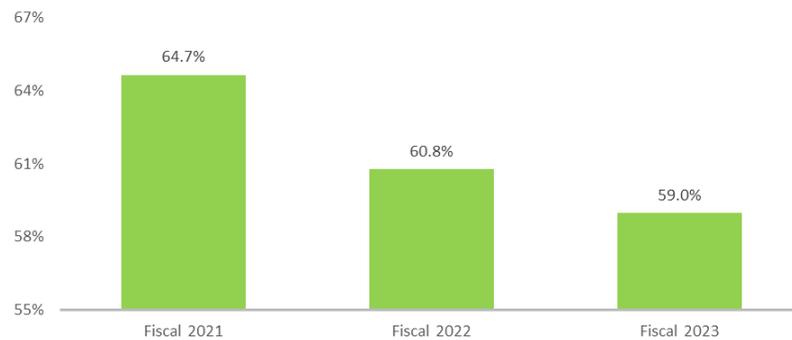
GROSS MARGIN PERCENT



ADJUSTED EBITDA



OPERATING SG&A PERCENT



Fundamental Priority 3

Reinvest Profits & Free Cash Flow at High Rates of Return



- Investing capital in the business at high rates of return.
- Returning substantial amounts of excess cash to shareholders in the form of stock buybacks.

Fundamental Priority 3

Reinvest Profits & Free Cash Flow at High Rates of Return



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- ✓ Returning substantial amounts of excess cash to shareholders in the form of stock buybacks.

Fundamental Priority 3

Reinvest Profits & Free Cash Flow at High Rates of Return

(unaudited)



\$35.6M

Repurchasing 885K Shares in
FY23

\$59.4M

Repurchasing 1,470K Shares in
Last 2 Years

Fundamental Priority 1

Partner of Choice for Our Clients in Addressing Challenges That Matter



INCREASED FOCUS

- Accelerate winning new logos
- Increase revenue and client retention
- Expand the size and duration of contracts

Fundamental Priority 2

Accomplishing Priority 1 with Strong, Profitable Business Model



INCREASED FOCUS

- Strong pricing power
- Expand lifetime value of customers
- Increase Adjusted EBITDA margin

Fundamental Priority 3

Reinvest Profits & Free Cash Flow at High Rates of Return



INCREASED FOCUS

- Strengthen and expand strategic moat
- Grow Free Cash Flow
- Invest cash to create additional value

Enterprise Division - North America Headlines

Fiscal 2023, Unaudited



+6%

Revenue Growth

26% L2Y -2% Q4

+8%

**Subscription &
Subscription Services Revenue**

37% L2Y 6% Q4

+18%

**Balance Deferred Revenue
(Billed & Unbilled)**

58%

**AAP Invoiced Represented by
Multiyear Contracts**

Enterprise Division - International Headlines

Fiscal 2023, Unaudited



6%

Revenue - International Direct

8% Q4

+10%

**International Licensee Partner
Revenue Growth**

10% Q4

Education Division - Headlines

Fiscal 2023, Unaudited



+13%

Revenue Growth

-2% Q4

+13%

**Subscription &
Subscription Services Revenue**

-3% Q4

+24%

Balance Deferred Revenue
(Billed & Unbilled)

~85%

School Retention
(as of August 31, 2023)

Cash Flows from Operating Activities

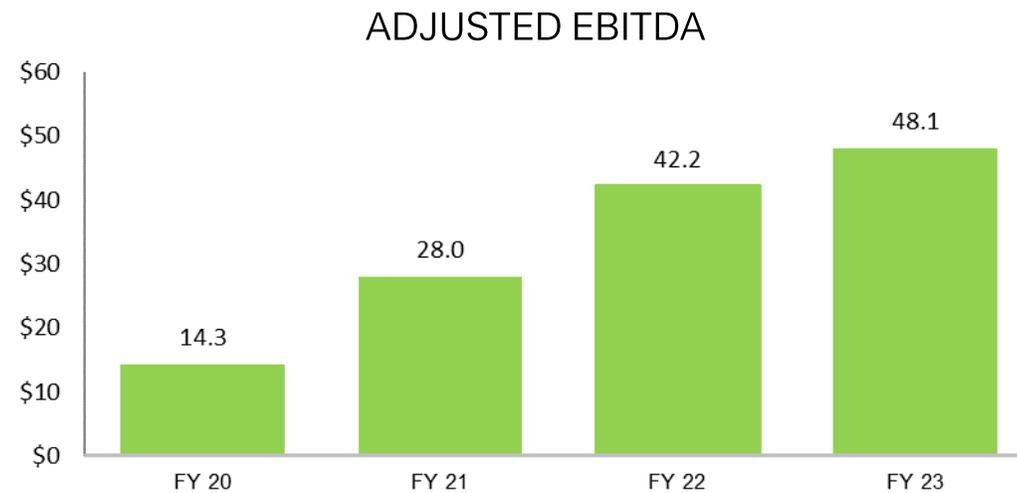
(in thousands)



YEAR ENDED AUGUST 31,	2023	2022	2021
<i>In thousands</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 17,781	\$ 18,430	\$ 13,623
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,613	10,169	11,196
Amortization of capitalized curriculum development costs	3,084	3,354	3,445
Deferred income taxes	4,748	121	(9,790)
Stock-based compensation expense	12,520	8,286	8,617
Change in the fair value of contingent consideration	7	68	193
Amortization of right-of-use operating lease assets	834	913	1,003
Changes in working capital	(11,849)	10,913	17,890
Net cash provided by operating activities	35,738	52,254	46,177

Guidance & Outlook

(in millions and unaudited)



Guidance & Outlook

(Guidance and Outlook is given in constant currency)



FY24 Adjusted EBITDA Guidance, *\$54.5M-\$58.0M*

FY25 Adjusted EBITDA Outlook For Growth, *\$66M*

FY26 Adjusted EBITDA, *Well Into The \$70M+ Range*



Appendix

Other Information



OTHER INCOME STATEMENT INFORMATION:

- Depreciation: \$4.3M in FY2023, expected to total approximately \$6.0M in FY2024.
- Amortization: \$4.3M in FY2023, expected to total approximately \$4.2M in FY2024.
- Net Interest Expense: \$.5M in FY2023, expected to total approximately \$.5M in FY2024.
- Share-based Compensation, Impaired Assets, Restructuring, Accrued Earnout and Other totaling \$13.8M in FY2023; expected to total approximately \$13.7M in FY2024.
- Effective Tax Rate: Our normalized 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 FY23 effective rate.

OTHER INFORMATION:

- Capital Expenditures: \$4.5M in FY2023, expected to total approximately \$7.0M to \$9.0M in FY2024.
- Capitalized Curriculum excluding acquired content: \$9.0M in FY2023, expected to total approximately \$6.0M to \$8.0M in FY2024, including localization of AAP content, AAP content development, and Education content development.
- Share Count: 13,084k shares outstanding as of August 31, 2023. 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.
- Number of salespersons: 303 on August 31, 2023.
- Impact of FX in FY23: decrease to sales of \$4.0M; decrease to adjusted EBITDA of \$1.4M. Impact of FX in Q4 FY23: decrease to sales of \$0.3M; decrease to adjusted EBITDA of \$0.1M.

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

FranklinCovey Financial Headlines

(in millions and unaudited)



	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>	<u>Chg</u>	<u>%</u>	<u>Q4 FY 23</u>	<u>Q4FY 22</u>	<u>Chg</u>	<u>%</u>
Sales	\$ 280.5	\$ 262.8	\$ 17.7	6.7%	\$ 78.0	\$ 78.8	(\$0.9)	-1.1%
Cost of Sales	67.0	60.9	6.1	10.0%	18.6	19.7	(1.1)	-5.5%
Gross Profit	213.5	201.9	11.6	5.7%	59.3	59.1	0.2	0.4%
Gross Profit %	76.1%	76.8%	(71)	bps	76.1%	75.0%	112	bps
Operating SG&A	165.4	159.7	5.7	3.6%	42.8	45.7	(2.9)	-6.4%
Operating SG&A %	59.0%	60.8%	179	bps	54.9%	58.0%	312	bps
Adjusted EBITDA	\$ 48.1	\$ 42.2	\$ 5.9	13.9%	\$ 16.5	\$ 13.3	\$ 3.2	23.7%
Adjusted EBITDA %	17.1%	16.1%	33%		21.2%	16.9%		

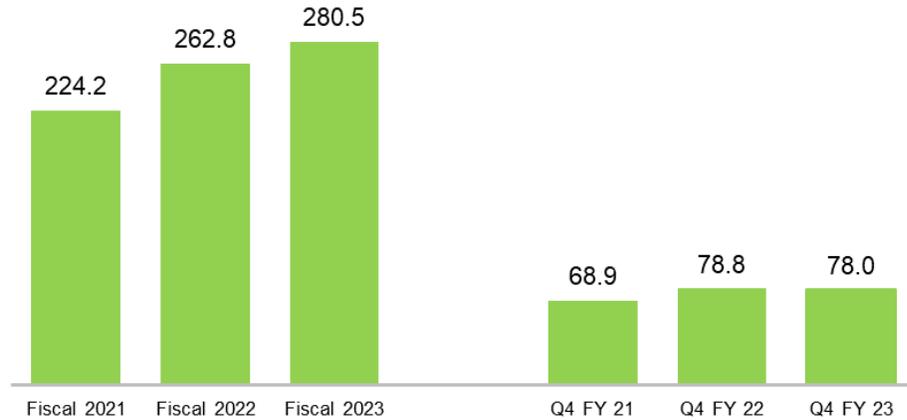
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

FranklinCovey Financial Summary

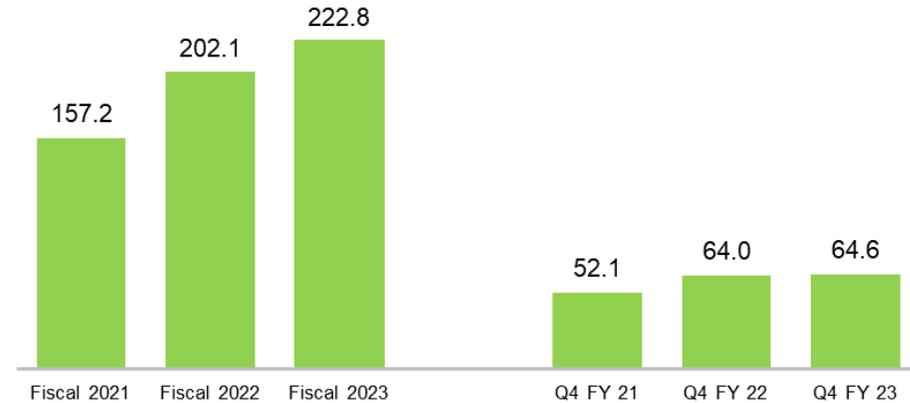
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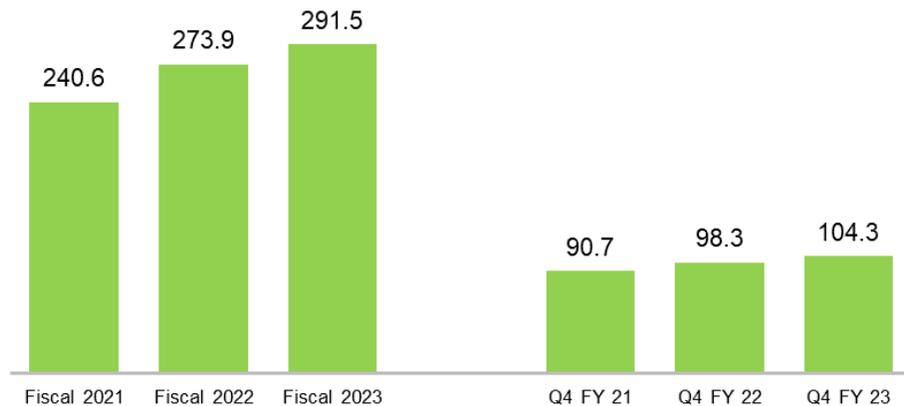
SALES



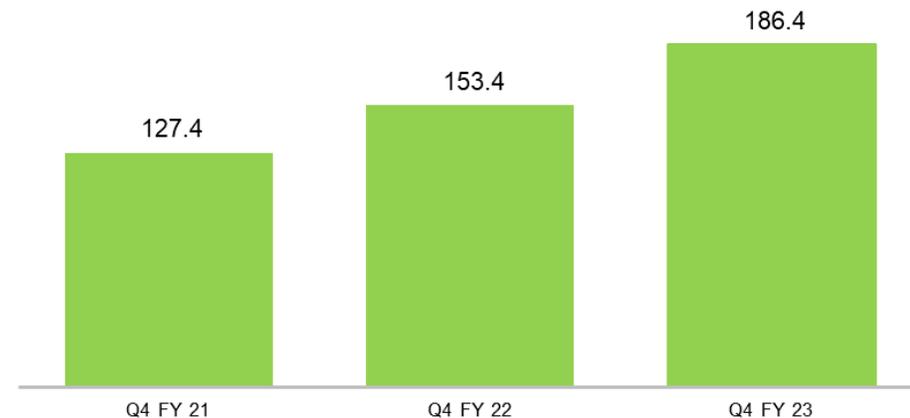
SUBSCRIPTION AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED REVENUE

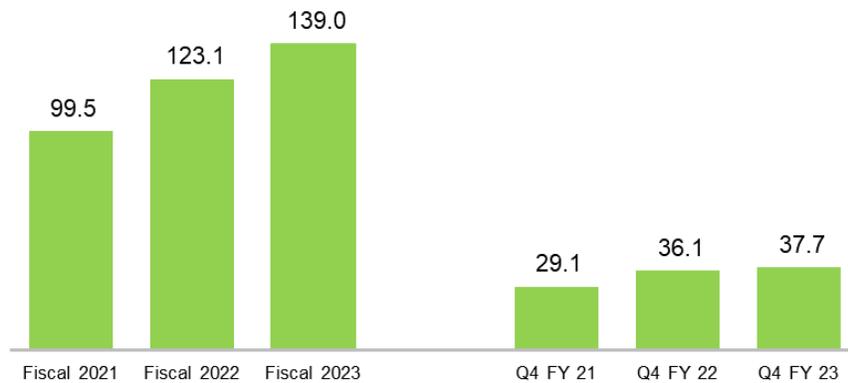


Trends in the Business

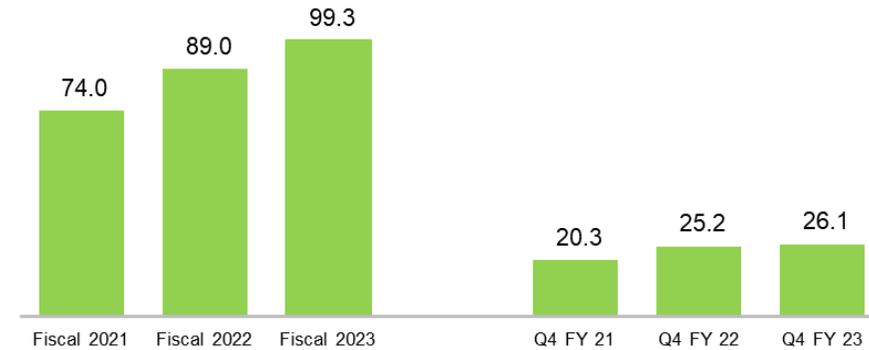
(in millions and unaudited)



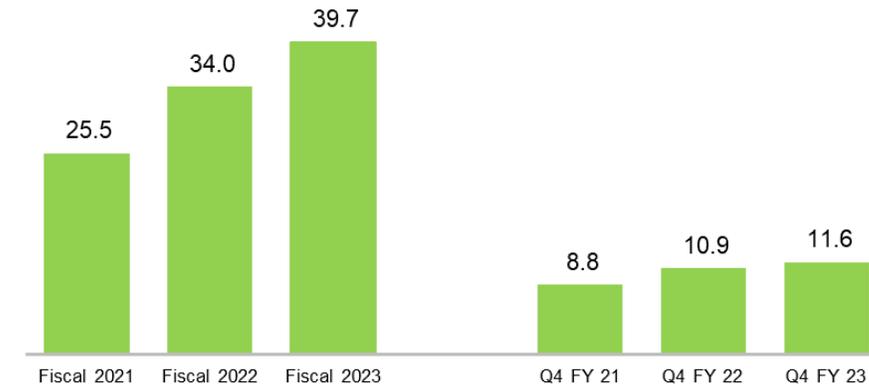
SUBSCRIPTION REVENUE



AAP AND OTHER SUBSCRIPTION REVENUE



EDUCATION SUBSCRIPTION REVENUE

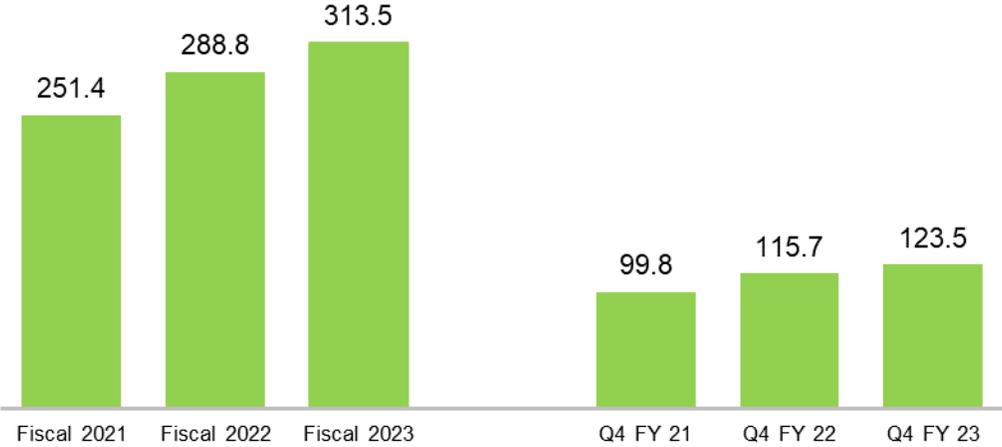


Trends in the Business

(in millions and unaudited)



CONTRACTED



Sales Information

(in millions and unaudited)



				FY 2021					FY 2022					FY 2023				
	FY2018	FY2019	FY2020	Q1	Q2	Q3	Q4	FY2021	Q1	Q2	Q3	Q4	FY2022	Q1	Q2	Q3	Q4	FY2023
Sales																		
Reported Net Sales	209.8	225.4	198.5	48.3	48.2	58.7	68.9	224.2	61.3	56.6	66.2	78.8	262.8	69.4	61.8	71.4	78.0	280.5
Change in Deferred Revenue	11.4	8.3	2.4	(3.6)	1.6	(3.2)	21.7	16.5	(9.3)	2.6	(1.8)	19.5	11.0	(11.4)	(0.6)	(3.4)	26.3	11.0
Invoiced Amount	221.2	233.7	200.8	44.7	49.8	55.5	90.7	240.6	52.0	59.2	64.4	98.3	273.9	58.0	61.2	68.1	104.3	291.5
Balance Sheet																		
Roll-Forward of Deferred Subscription Revenue																		
Beginning Balance (deferred revenue)	36.4	48.4	58.2	60.6	57.0	58.5	55.3	60.6	77.0	67.8	70.4	68.5	77.0	88.1	76.7	76.1	72.7	88.1
Subscription Invoiced	69.7	82.8	88.9	18.0	24.4	22.7	50.8	115.9	19.1	30.6	28.8	55.6	134.1	21.6	32.3	31.9	64.0	150.0
Amounts Recorded to Revenue	(58.3)	(74.5)	(86.5)	(21.7)	(22.9)	(25.9)	(29.1)	(99.5)	(28.4)	(28.0)	(30.6)	(36.1)	(123.1)	(33.0)	(32.9)	(35.3)	(37.7)	(139.0)
Change in Deferred Revenue	11.4	8.3	2.4	(3.6)	1.6	(3.2)	21.7	16.4	(9.3)	2.6	(1.8)	19.5	11.0	(11.4)	(0.6)	(3.4)	26.3	11.0
FX, 606, and Other Changes	0.6	1.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance (Def Subscription Revenue)	48.4	58.2	60.6	57.0	58.5	55.3	77.0	77.0	67.8	70.4	68.5	88.1	88.1	76.7	76.1	72.7	99.0	99.0
Unbilled Deferred Contracts																		
Beginning Balance (off balance sheet)	17.2	24.5	29.9	39.6	40.5	37.4	41.3	39.6	50.4	53.4	49.0	48.0	50.4	65.4	74.9	69.7	68.2	65.4
New Unbilled Contracts	20.2	22.3	33.5	5.8	5.3	9.0	17.2	37.3	8.6	9.4	8.0	27.4	53.4	14.7	11.7	8.9	31.9	67.0
Amounts Invoiced	(12.9)	(16.9)	(23.9)	(5.0)	(8.3)	(5.2)	(8.1)	(26.5)	(5.6)	(13.8)	(9.0)	(10.0)	(38.4)	(5.1)	(16.9)	(10.3)	(12.6)	(45.0)
Ending Balance (off balance sheet)	24.5	29.9	39.6	40.5	37.4	41.3	50.4	50.4	53.4	49.0	48.0	65.4	65.4	74.9	69.7	68.2	87.4	87.4
Breakout of Deferred Sales (above)																		
Subscription Sales (Invoiced Amounts)																		
All Access Pass Subscriptions	48.8	58.3	63.6	15.9	22.5	16.9	25.8	81.0	16.4	28.2	20.8	26.7	92.1	18.6	28.4	20.8	28.9	96.7
Education Subscription Contracts	19.2	21.9	24.2	1.7	1.4	5.6	24.0	32.7	2.5	2.1	7.8	26.9	39.3	2.9	2.6	9.2	32.9	47.6
Other	1.7	2.7	1.2	0.4	0.6	0.2	1.0	2.2	0.2	0.3	0.2	2.0	2.7	0.2	1.4	1.9	2.2	5.7
Total Additions to balance sheet	69.7	82.8	88.9	18.0	24.4	22.7	50.8	115.9	19.1	30.6	28.8	55.6	134.1	21.6	32.3	31.9	64.0	150.0

Notes:

- Invoiced Amounts represent the amount billed (invoiced) in the period. The Invoiced Amount is equal to Reported Net Sales, plus the associated change in Deferred Subscription Sales 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 Sales, which is added to Reported Net Sales to equal the Invoiced Amount, and the Change in Deferred Sales 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 sales over the course of the contract and Consulting which is recognized as sales upon delivery. These combined performance obligations are contracted, invoiced and paid together. See Deferred Subscription Revenue in the Definitions

FranklinCovey Contracts Signed

(in millions and unaudited)



Fourth Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY 23	FY 22	Change	%	FY 23	FY 22	Change	%	FY 23	FY 22	Change	FY 23	FY 22	Change	%
Sales	52.4	52.2	0.3	0.5%	24.1	24.6	(0.5)	-2.2%	1.4	2.0	(0.6)	78.0	78.8	(0.9)	-1.1%
Change in Deferred Subscription Revenue	5.1	3.5	1.6	45.8%	21.2	16.0	5.2	32.4%	-	-	-	26.3	19.5	6.8	34.8%
Invoiced Amounts	57.6	55.7	1.9	3.4%	45.3	40.6	4.6	11.4%	1.4	2.0	(0.6)	104.3	98.3	5.9	6.0%
Change in Unbilled Deferred Revenue	19.3	17.6	1.8		(0.1)	(0.2)	0.1		(0.0)	(0.0)	(0.0)	19.2	17.4	1.8	
Total Contracts Signed	76.9	73.3	3.6	5.0%	45.2	40.5	4.7	11.6%	1.4	2.0	(0.6)	123.5	115.7	7.7	6.7%

Fiscal Year	Enterprise Division				Education Division				Corporate			Total Company			
	FY 23	FY 22	Change	%	FY 23	FY 22	Change	%	FY 23	FY 22	Change	FY 23	FY 22	Change	%
Sales	205.7	194.4	11.3	5.8%	69.7	61.9	7.9	12.7%	5.1	6.6	(1.5)	280.5	262.8	17.7	6.7%
Change in Deferred Subscription Revenue	3.2	5.7	(2.6)	-45.0%	7.8	5.3	2.6	48.5%	(0.0)	0.0	(0.0)	11.0	11.0	(0.0)	-0.2%
Invoiced Amounts	208.8	200.1	8.7	4.3%	77.6	67.1	10.4	15.6%	5.1	6.6	(1.5)	291.5	273.9	17.7	6.4%
Change in Unbilled Deferred Revenue	22.0	15.4	6.7	43.3%	0.0	(0.4)	0.4	-101.3%	0.0	(0.0)	0.0	22.0	15.0	7.0	47.0%
Total Contracts Signed	230.8	215.5	15.3	7.1%	77.6	66.7	10.8	16.2%	5.1	6.6	(1.5)	313.5	288.8	24.7	8.5%

As of August 31	Enterprise Division				Education Division				Corporate			Total Company			
	FY 23	FY 22	Change	%	FY 23	FY 22	Change	%	FY 23	FY 22	Change	FY 23	FY 22	Change	%
Deferred Subscription Revenue Balance	58.4	55.3	3.1	5.5%	40.7	32.7	7.9	24.2%	-	-	-	99.0	88.1	11.0	12.5%
Unbilled Deferred Revenue Balance	86.6	64.6	22.0	34.1%	0.8	0.8	0.0	0.6%	-	-	-	87.4	65.4	22.0	33.7%
Total	145.0	119.9	25.1	20.9%	41.4	33.5	7.9	23.6%	-	-	-	186.4	153.4	33.0	21.5%

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		Fiscal Year Ended	
	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 6,812	\$ 5,578	\$ 17,781	\$ 18,430
Adjustments:				
Interest expense, net	122	383	492	1,610
Income tax provision	3,634	2,702	8,088	3,634
Amortization	1,071	1,160	4,342	5,266
Depreciation	1,141	1,217	4,271	4,903
Stock-based compensation	3,163	2,299	12,520	8,286
Restructuring	565	-	565	-
Increase in the fair value of contingent consideration liabilities	-	8	7	68
Adjusted EBITDA	<u>\$ 16,508</u>	<u>\$ 13,347</u>	<u>\$ 48,066</u>	<u>\$ 42,197</u>
Adjusted EBITDA margin	21.2%	16.9%	17.1%	16.1%

Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures. Please see the appendix for additional information.

Additional Financial Information

(in thousands and unaudited)



	Quarter Ended		Fiscal Year Ended	
	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
Sales by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 49,827	\$ 49,807	\$ 194,021	\$ 183,845
International licensees	2,597	2,355	11,645	10,551
	52,424	52,162	205,666	194,396
Education Division	24,105	24,650	69,736	61,852
Corporate and other	1,426	1,994	5,119	6,593
Consolidated	\$ 77,955	\$ 78,806	\$ 280,521	\$ 262,841
Gross Profit by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 40,715	\$ 39,757	\$ 156,915	\$ 148,051
International licensees	2,323	2,038	10,507	9,382
	43,038	41,795	167,422	157,433
Education Division	15,921	16,457	44,418	41,206
Corporate and other	346	815	1,650	3,273
Consolidated	\$ 59,305	\$ 59,067	\$ 213,490	\$ 201,912
Adjusted EBITDA by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 11,986	\$ 8,833	\$ 44,198	\$ 37,497
International licensees	1,087	546	5,874	4,964
	13,073	9,379	50,072	42,461
Education Division	6,118	6,610	7,426	8,408
Corporate and other	(2,683)	(2,642)	(9,432)	(8,672)
Consolidated	\$ 16,508	\$ 13,347	\$ 48,066	\$ 42,197

Condensed Consolidated Balance Sheets

(in thousands and unaudited)



	August 31, 2023	August 31, 2022
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 38,230	\$ 60,517
Accounts receivable, less allowance for doubtful accounts of \$3,790 and \$4,492	81,935	72,561
Inventories	4,213	3,527
Prepaid expenses and other current assets	20,639	19,278
Total current assets	145,017	155,883
Property and equipment, net	10,039	9,798
Intangible assets, net	40,511	44,833
Goodwill	31,220	31,220
Deferred income tax assets	1,661	4,686
Other long-term assets	17,471	12,735
	\$ 245,919	\$ 259,155

	August 31, 2023	August 31, 2022
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Current portion of notes payable	\$ 5,835	\$ 5,835
Current portion of financing obligation	3,538	3,199
Accounts payable	6,501	10,864
Deferred subscription revenue	95,386	85,543
Other deferred revenue	12,137	14,150
Accrued liabilities	28,252	34,205
Total current liabilities	151,649	153,796
Notes payable, less current portion	1,535	7,268
Financing obligation, less current portion	4,424	7,962
Other liabilities	7,617	7,116
Deferred income tax liabilities	2,040	199
Total liabilities	167,265	176,341
Shareholders' equity:		
Common stock	1,353	1,353
Additional paid-in capital	232,373	220,246
Retained earnings	99,802	82,021
Accumulated other comprehensive loss	(987)	(542)
Treasury stock at cost, 13,974 and 13,203 shares	(253,887)	(220,264)
Total shareholders' equity	78,654	82,814
	\$ 245,919	\$ 259,155

Condensed Consolidated Income Statements

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



	Quarter Ended		Fiscal Year Ended	
	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
Net sales	\$ 77,955	\$ 78,806	\$ 280,521	\$ 262,841
Cost of sales	18,650	19,739	67,031	60,929
Gross profit	59,305	59,067	213,490	201,912
Selling, general, and administrative	46,525	48,027	178,516	168,069
Depreciation	1,141	1,217	4,271	4,903
Amortization	1,071	1,160	4,342	5,266
Income from operations	10,568	8,663	26,361	23,674
Interest expense, net	(122)	(383)	(492)	(1,610)
Income before income taxes	10,446	8,280	25,869	22,064
Income tax provision	(3,634)	(2,702)	(8,088)	(3,634)
Net income	\$ 6,812	\$ 5,578	\$ 17,781	\$ 18,430
Net income per common share:				
Basic	\$ 0.52	\$ 0.40	\$ 1.30	\$ 1.30
Diluted	0.49	0.39	1.24	1.27
Weighted average common shares:				
Basic	13,162	13,857	13,640	14,147
Diluted	13,886	14,425	14,299	14,555
Other data:				
Adjusted EBITDA ⁽¹⁾	\$ 16,508	\$ 13,347	\$ 48,066	\$ 42,197

(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)



YEAR ENDED AUGUST 31,	2023	2022
<i>In thousands</i>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 17,781	\$ 18,430
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,613	10,169
Amortization of capitalized curriculum development costs	3,084	3,354
Deferred income taxes	4,748	121
Stock-based compensation expense	12,520	8,286
Change in the fair value of contingent consideration	7	68
Amortization of right-of-use operating lease assets	834	913
Changes in working capital	(11,849)	10,913
Net cash provided by operating activities	35,738	52,254
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(4,515)	(3,177)
Capitalized curriculum development costs	(9,035)	(2,154)
Acquisition of businesses, net of cash acquired	-	-
Net cash used for investing activities	(13,550)	(5,331)
FREE CASH FLOW	\$ 22,188	\$ 46,923

Enterprise Division Financial Summary

(in millions and unaudited)



	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>	<u>Chg</u>	<u>%</u>	<u>Q4 FY 23</u>	<u>Q4FY 22</u>	<u>Chg</u>	<u>%</u>
Sales	\$ 205.7	\$ 194.4	\$ 11.3	5.8%	\$ 52.4	\$ 52.2	\$ 0.3	0.5%
Cost of Sales	38.2	37.0	1.3	3.5%	9.4	10.4	(1.0)	-9.5%
Gross Profit	167.4	157.4	10.0	6.3%	43.0	41.8	1.2	3.0%
Gross Profit %	81.4%	81.0%	42	bps	82.1%	80.1%	197	bps
Operating SG&A	117.3	115.0	2.4	2.1%	30.0	32.4	(2.4)	-7.6%
Operating SG&A %	57.1%	59.1%	208	bps	57.2%	62.1%	498	bps
Adjusted EBITDA	\$ 50.1	\$ 42.5	\$ 7.6	17.9%	\$ 13.1	\$ 9.4	\$ 3.7	39.4%

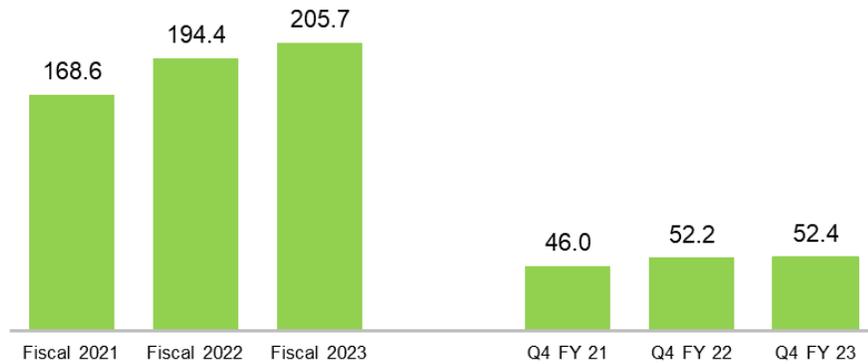
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

Enterprise Division Financial Summary

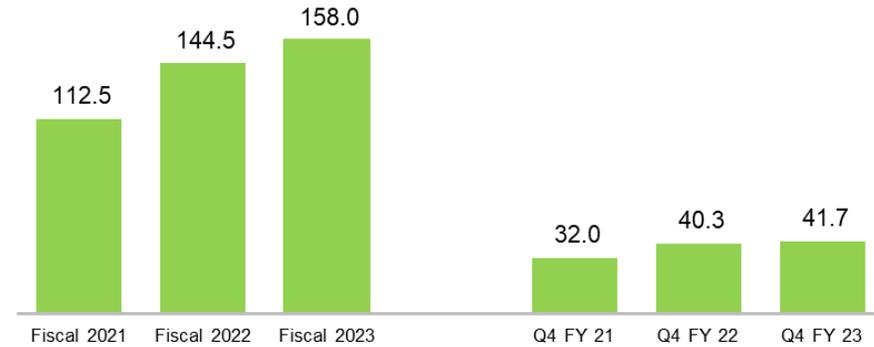
(in millions and unaudited)



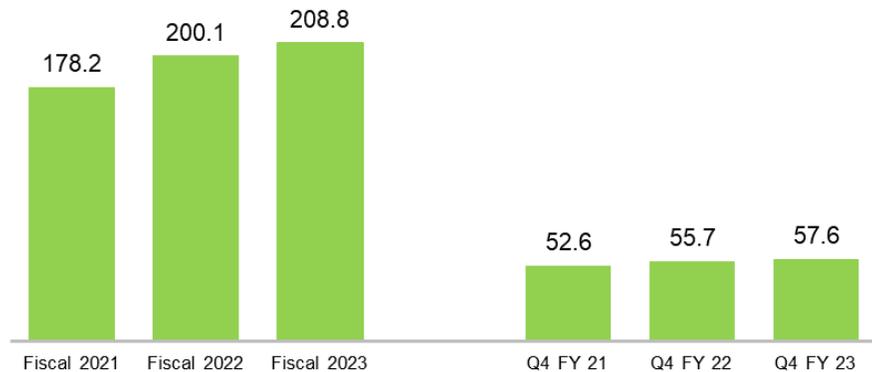
SALES



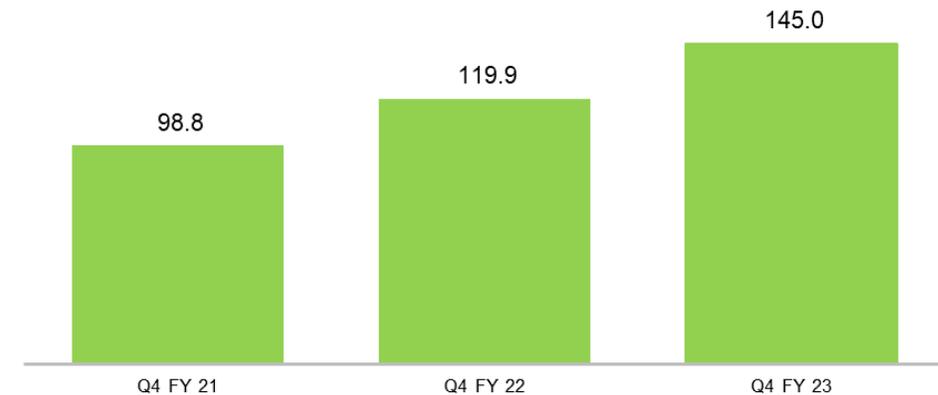
AAP SUBSCRIPTION AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED REVENUE



Enterprise Division AAP & Related Revenue

(in millions and unaudited)



	<i>Fiscal 2023</i>	<i>Fiscal 2022</i>	<i>Fiscal 2021</i>
AAP Sales	\$99.3	\$89.0	\$74.0
AAP Add on Sales*	58.7	55.5	38.5
Total AAP and Related	158.0	144.5	112.5
Percent of AAP and Related Sales to Total Enterprise Sales	77%	74%	67%
Legacy Sales	27.5	30.8	39.1
International licensees	11.6	10.6	9.0
Other Sales	8.5	8.5	8.0
Total Enterprise Sales	\$205.7	\$194.4	\$168.6

	<i>Fiscal 2023</i>	<i>Fiscal 2022</i>	<i>Fiscal 2021</i>
North America Sales	\$150.3	\$142.1	\$119.6
International Direct Office Sales	35.2	33.3	31.9
Other Sales	8.5	8.5	8.0
Total Direct Office Division Sales	194.0	183.8	159.5
International Licensees	11.6	10.6	9.0
Total Enterprise Sales	\$205.7	\$194.4	\$168.6

	<i>Q4FY23</i>	<i>Q3FY23</i>	<i>Q2FY23</i>	<i>Q1FY23</i>	<i>Q4FY22</i>
	\$26.1	\$25.4	\$24.1	\$23.8	\$25.2
	15.6	16.0	11.3	15.8	15.1
	41.7	41.3	35.4	39.6	40.3
	79%	78%	76%	74%	77%
	6.2	6.9	6.0	8.4	7.8
	2.6	2.8	2.9	3.3	2.4
	1.9	2.1	2.3	2.2	1.7
	\$52.4	\$53.2	\$46.6	\$53.4	\$52.2
	<i>Q4FY23</i>	<i>Q3FY23</i>	<i>Q2FY23</i>	<i>Q1FY23</i>	<i>Q4FY22</i>
	\$38.4	\$39.1	\$34.1	\$38.7	\$39.4
	\$9.5	\$9.2	\$7.3	\$9.3	\$8.8
	1.9	2.1	2.3	2.2	1.7
	49.8	50.4	43.6	50.2	49.8
	2.6	2.8	2.9	3.3	2.4
	\$52.4	\$53.2	\$46.6	\$53.4	\$52.2

Education Division Financial Summary

(in millions and unaudited)



	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>	<u>Chg</u>	<u>%</u>	<u>Q4FY 23</u>	<u>Q4FY 22</u>	<u>Chg</u>	<u>%</u>
Sales	\$ 69.7	\$ 61.9	\$ 7.9	12.7%	\$ 24.1	\$ 24.6	(\$0.5)	-2.2%
Cost of Sales	25.3	20.6	4.7	22.6%	8.2	8.2	(0.0)	-0.1%
Gross Profit	44.4	41.2	3.2	7.8%	15.9	16.5	(0.5)	-3.3%
Gross Profit %	63.7%	66.6%	(293)	bps	66.0%	66.8%	(72)	bps
Operating SG&A	37.0	32.8	4.2	12.8%	9.8	9.8	(0.0)	-0.4%
Operating SG&A %	53.0%	53.0%	(2)	bps	40.7%	39.9%	(72)	bps
Adjusted EBITDA	\$ 7.4	\$ 8.4	(\$1.0)	-11.7%	\$ 6.1	\$ 6.6	(\$0.5)	-7.4%

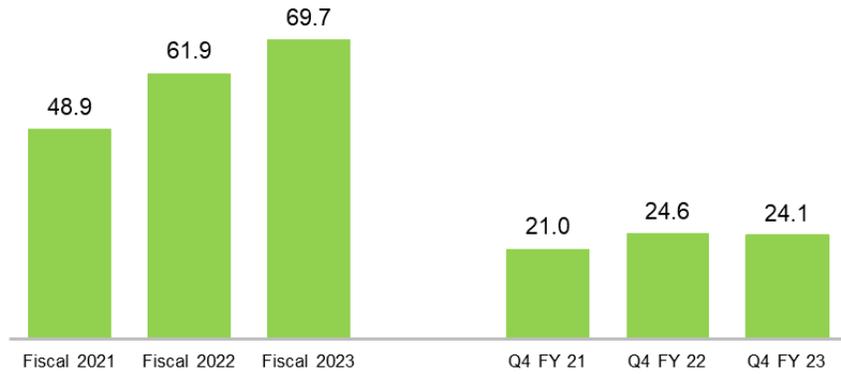
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

Education Division Financial Summary

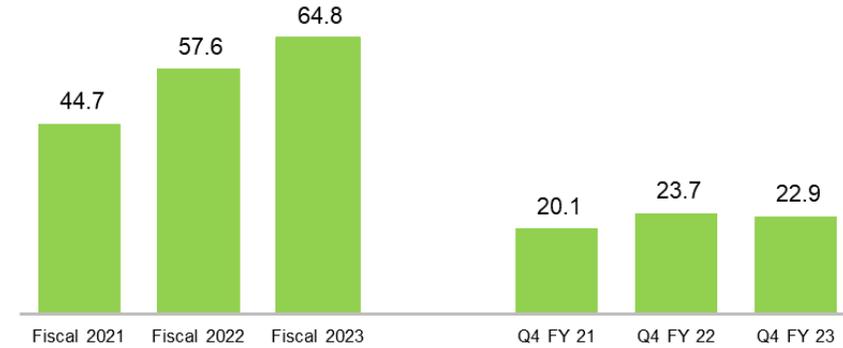
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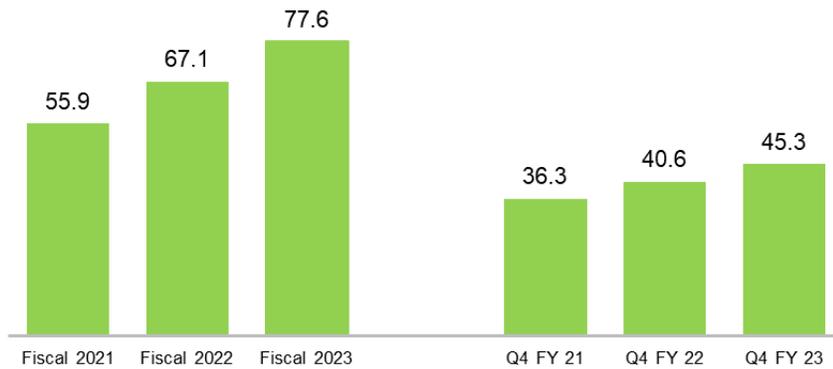
SALES



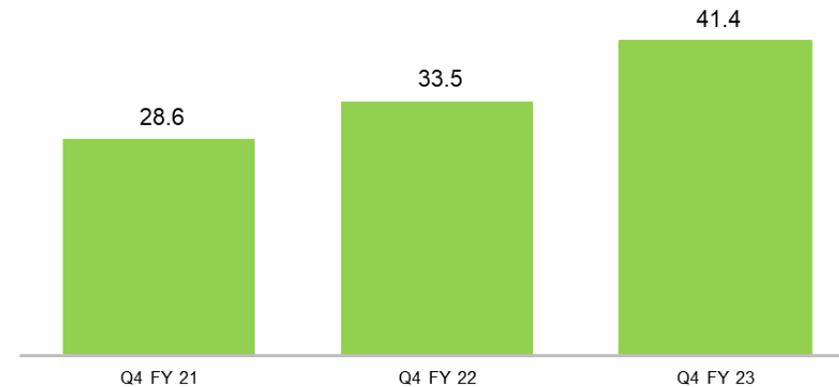
SUBSCRIPTION AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED REVENUE



Definitions



- “Deferred Subscription Revenue” primarily consists of billings or payments received in advance of revenue being recognized from subscription services. Deferred revenue is recognized as sales 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.
- “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.
- “Invoiced” is the sum of reported Net Sales 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.
- “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.
- “Sales Flow-Through” is the year-over-year change in Adjusted EBITDA divided by the year-over-year change in sales.
- “Subscription Services Sales” 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.
- “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



- “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.
- “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.
- “North America Revenue” consists of revenue generated by our direct offices in the United States and Canada, including government sales.
- “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).
- “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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