**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

# Form 10-K

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ___ TO ___

FranklinCovey

**Franklin Covey Co.**
(Exact name of registrant as specified in its charter)

| Utah | 001-11107 | 87-0401551 |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Commission File No.) | (IRS Employer Identification No.) |

**2200 West Parkway Boulevard**
**Salt Lake City, Utah 84119-2331**
**(Address of principal executive offices, including zip code)**

**Registrant's telephone number, including area code: (801) 817-1776**

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol | Name of Each Exchange on Which Registered |
|---|---|---|
| **Common Stock, $.05 Par Value** | **FC** | **New York Stock Exchange** |

Securities registered pursuant to Section 12(g) of the Act:
**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☐ | Accelerated Filer | ☑ |
| Non-accelerated Filer | ☐ | Smaller Reporting Company | ☐ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of February 29, 2024, the aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant was approximately $430.2 million, which was based upon the closing price of $38.18 per share as reported by the New York Stock Exchange.

As of October 31, 2024, the Registrant had 13,184,271 shares of Common Stock outstanding.

## DOCUMENTS INCORPORATED BY REFERENCE

Parts of the Registrant's Definitive Proxy Statement for the Annual Meeting of Shareholders, which is scheduled to be held on January 24, 2025, are incorporated by reference in Part III of this Form 10-K.

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## PART I

**Disclosure Regarding Forward-Looking Statements**

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and such forward-looking statements involve risks and uncertainties. Statements about future sales, costs, margins, cost savings, foreign currency exchange rates, earnings, cash flows, initiatives, strategy, objectives, targets, expectations, growth, or profitability are forward-looking statements based on management's estimates, assumptions, and projections. Words such as "could," "may," "will," "should," "likely," "anticipates," "expects," "intends," "plans," "projects," "believes," "estimates," and variations on such words, including similar expressions, are used to identify these forward-looking statements. These forward-looking statements are only predictions, subject to risks and uncertainties, and actual results could differ materially from those discussed in this, and other reports, filed by us with the Securities and Exchange Commission (SEC) and elsewhere. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and assumptions that are difficult to predict. Risks, uncertainties, and other factors that might cause such differences, some of which could be material, include, but are not limited to, the factors discussed under the section of this report entitled "Risk Factors."

Forward-looking statements in this report are based on management's current views and assumptions regarding future events and speak only as of the date when made. Franklin Covey Co. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by federal securities laws.

In this Annual Report on Form 10-K, unless the context requires otherwise, the terms "the Company," "Franklin Covey," "FranklinCovey," "us," "we," and "our" refer to Franklin Covey Co. and its subsidiaries.

### ITEM 1. BUSINESS

***General Information***

Franklin Covey is a global company focused on organizational performance improvement. Our mission is to "enable greatness in people and organizations everywhere," and our global structure is designed to help individuals and organizations achieve results that require collective behavior change. From the foundational work of Dr. Stephen R. Covey in leadership and personal effectiveness, and Hyrum W. Smith in productivity and time management, we have developed deep expertise that extends to helping organizations and individuals achieve desired results through lasting behavioral change. We believe that our clients are able to utilize our content and offerings to create cultures which include high-performing, collaborative individuals, led by effective, trust building leaders who execute with excellence and deliver measurably improved results for all of their key stakeholders.

The Company was incorporated in 1983 under the laws of the state of Utah, and we merged with the Covey Leadership Center in 1997 to form Franklin Covey Co. Our consolidated net sales for the fiscal year ended August 31, 2024 totaled $287.2 million and our shares of common stock are traded on the New York Stock Exchange (NYSE) under the ticker symbol "FC."

Our fiscal year ends on August 31 of each year. Unless otherwise noted, references to fiscal years apply to the 12 months ended August 31 of the specified year.

The Company's principal executive offices are located at 2200 West Parkway Boulevard, Salt Lake City, Utah 84119-2331, and our telephone number is (801) 817-1776. Our website is www.franklincovey.com.

***Franklin Covey Services and Offerings***

Our mission is to "enable greatness in people and organizations everywhere," and we believe that we are experts at solving certain pervasive, intractable problems, each of which requires a change in human behavior. Our services and products are designed to help our clients succeed in four key areas:

1. Develop **exceptional leaders** at every level.
2. Instill **habits of effectiveness** in every individual.
3. Build an **inclusive, high-trust culture**.
4. Use a **common execution framework** to pursue their most important goals.

We believe that when organizations partner with us, their people change behavior—both individually and collectively—in ways that help solve an organization's most pressing problems and achieve breakthrough results. Lasting behavioral change begins with individuals from the inside out, with how people see themselves and the world around them. These insights translate into how individuals engage and lead others. Our content, which is based on timeless principles of human effectiveness, is designed to help people change both their mindset and behavior.

We seek to combine the best content, delivery and coaching experts, and technology to help our clients achieve results at scale—which may extend across an entire organization. We believe the combination of powerful content, teams of experts, a dynamic behavior change platform, and key metrics can guide leaders and teams through solutions that will deliver exceptional results again and again.

Our services and products are primarily delivered through our subscription offerings, which are comprised of the All Access Pass (AAP), which is primarily sold through our Enterprise Division, and the *Leader in Me* membership, which is designed specifically for our Education Division. We believe the AAP is a revolutionary and innovative way to deliver our content to clients of various sizes, including large, multinational organizations, in a flexible and cost-effective manner. Clients may utilize complete offerings such as *The 7 Habits of Highly Effective People*, *The Four Disciplines of Execution*, *The Speed of Trust*, and *Multipliers*, or use individual concepts from any of our well-known offerings to create a custom solution to fit their organizational or individual training needs. Since the introduction of the All Access Pass, we have developed the role of the Implementation Strategist to provide our clients with the direction necessary to create meaningful impact journeys using our tools and content. An impact journey is a customized plan to utilize our content and offerings on the AAP to drive sustained behavioral change in a manner that achieves a client's specific goals and provides them with the keys to obtain maximum value from the pass. We have also translated AAP materials into numerous additional languages, which allows the AAP to be used effectively by multinational entities and provides for greater international sales opportunities.

In our Education Division, we offer the *Leader in Me* membership, which provides access to the *Leader in Me* online service, and authorizes the use of Franklin Covey's proprietary intellectual property. The *Leader in Me* online service provides access to digital versions of student leadership guides, leadership lessons, illustrated leadership stories, and a variety of other resources to enable an educational institution to effectively implement and utilize the *Leader in Me* program. Our offerings are delivered to educators and students through a network of experienced coaches and consultants who assist schools with the implementation of the *Leader in Me* program. The coaches and consultants who serve in the Education Division are primarily former educators, from teachers to principals, who have a deep understanding of the current challenges facing both educators and students and understand how the *Leader in Me* program can effectively address these challenges. We believe that the tools and resources available through the *Leader in Me* membership provide measurable results that are designed to develop student leadership, improve school culture, and increase academic proficiency.

To deliver these services and products, we operate globally with one common brand and a business model designed to enable us to provide clients around the world with the same high level of service. To achieve this high level of service we have sales and support associates in various locations around the United States and Canada, and operate wholly owned subsidiaries that serve clients in Austria, Australia, China, Germany, Ireland, Japan, New Zealand, Switzerland, and the United Kingdom. In foreign locations where we do not have a directly owned office, we may contract with independent licensee partners who deliver our content and provide services in approximately 150 other countries and territories around the world.

Further information about our content and services can be found on our website at www.franklincovey.com. However, the information contained in, or that can be accessed through, our website does not constitute any part of this Annual Report.

***Business Development***

Our business is currently structured around two divisions, the Enterprise Division and the Education Division. The Enterprise Division consists of our Direct Office and International Licensee segments and is focused on selling our offerings to corporations, governments, not-for-profits, and other related organizations. Franklin Covey offerings delivered through the Enterprise Division are designed to help organizations and individuals achieve their own great purposes through behavior changing content and coaching. Our Education Division is centered around the principles found in the *Leader in Me* and is dedicated to helping educational institutions build cultures that will produce great results, including increased student performance, improved school culture, and increased parental and teacher involvement.

Following the launch of our AAP subscription service and *Leader in Me* membership, we have consistently sought to improve the technology, content, and overall client experience with these offerings. Bob Whitman, our former Chief Executive Officer and current Chairman of our board of directors (Board of Directors) described our commitment to continued development as, “We don’t want to fall in love with our current solutions, we want to ‘fall in love with problems’ and keep working to find solutions that help people make real progress.” We believe that continued investments in technology, content, and personnel are key to subscription service renewals and the future growth of our offerings.

In addition to the internal development of our offerings, we have on occasion sought to grow our sales through acquisitions of businesses and content licenses, and opening new international offices. Over the past few years, our growth investment efforts have included the following:

***Increased Investment in Content and Delivery Platforms –*** Over the past couple of years, we have significantly increased our investments in content and delivery platforms. In fiscal 2024 we invested in significant revisions to our flagship *The 7 Habits of Highly Effective People* offering, which launched in early fiscal 2025, on new *Leader in Me* content, and for enhancements to our Impact Platform. During fiscal 2024 we also acquired a license for *The Teacher Believed in Me* content, which is expected to provide new opportunities for growth in our *Leader in Me* membership and related offerings. We believe continuing investments in our content and offerings are critical to our growth and ability to attract and retain clients.

***Integration of Artificial Intelligence (AI) –*** With the rapid rise of AI, we believe there will be an increasing premium on human leadership and interaction to leverage AI in the workplace. We believe these skills will include the ability to set vision, focus teams, serve customers, and communicate effectively with human co-workers and AI interfaces. We are strengthening our platforms and offerings to leverage the quickly changing capabilities and opportunities related to AI to improve and customize the learning experience for our clients. We believe that AI provides an opportunity for growth and improvement of the overall learning experience associated with our content and offerings.

***New Direct Office in France*** – In early fiscal 2025, we opened a new direct office operation in France, which was previously served by a licensee partner. We believe converting our operations in France from a licensee partnership to direct ownership will provide additional growth in revenue and operating income in future periods.

We seek to consistently deliver world-class content with the broadest and deepest distribution capabilities through the most flexible content delivery modalities and expect to make additional investments in technology, content, and personnel in fiscal 2025 and in future periods as market conditions allow. These investments may include hiring additional personnel, the acquisition of license rights, and business acquisitions. For further information regarding our business development, refer to the section entitled, "*Key Strategic Objectives*" in Item 7 of this Annual Report on Form 10-K.

***Our Associates***

We have 1,084 associates worldwide, who are mostly full-time employees. We also utilize independent contractors and temporary personnel to supplement our workforce. None of our associates are represented by a union or collective bargaining agreement, and we have never experienced a material labor interruption due to labor disagreements. For more information regarding our associates refer to the Human Capital Resources disclosures found later in this section.

***Our Industry and Competitors***

According to the *Training* magazine 2024 U.S. Training Industry Survey, U.S. training expenditures are estimated to total $98 billion, which is a slight decrease from 2023's estimate of $102 billion. As such, we believe there is ample room for revenue growth and increased market share within our industry. While the training industry is highly fragmented and includes a wide variety of training and service providers of varying sizes, we believe that our content and variety of available delivery methods are competitive advantages for us in the marketplace. According to the *Training* magazine 2024 U.S. Training Industry Survey, the number one training priority of respondents is to "increase effectiveness" of employees and a significant majority of companies in the survey reported that they used a blended approach to training delivery, combining online methods with classroom lectures, whether instructor-led or virtual. We believe our integrated principle-centered training offerings measurably improve effectiveness, and that the All Access Pass and *Leader in Me* membership allow for flexible delivery of training content to meet our client's objectives.

The training industry is a highly competitive and rapidly changing global marketplace and we compete with a variety of organizations of assorted sizes that offer services comparable with ours. Based upon our annual revenue, we believe that we are a significant competitor in the performance skills and education market. Other significant comparative companies that compete with our Enterprise Division include: Development Dimension International, Crucial Learning, Korn Ferry, Udemy Business, GP Strategies, Cornerstone, and LinkedIn Learning, among others. Our Education Division competes with entities such as: 7 Mindsets, Capturing Kids Hearts, Second Step, Responsive Classroom, and Character Strong.

We believe that the principal competitive factors in the industry in which we compete include the following:

- Quality of the content in our offerings, services, and solutions
- Skills and capabilities of people who develop and deliver our content
- Innovative training and consulting services combined with effective technology and products
- Ability to add value to client operations
- Reputation and client references
- Pricing
- Global reach and scale
- Branding and name recognition in our marketplace

Given the relative ease of entry into the training market, the number of our competitors could increase, many of whom may imitate existing methods of distribution, or could offer similar content and programs at lower prices. However, we believe that we have several areas of competitive differentiation in our industry. We believe that our competitive advantages include: (1) the quality of our content; (2) the breadth of our delivery options, including the AAP and *Leader in Me* membership; (3) our global reach, which allows truly multinational clients to scale our content uniformly across the globe; and (4) the significant impact which our offerings can have on our clients' organization and results.

We have a relatively broad base of clients, which includes thousands of organizational, governmental, educational, and individual clients in both the United States and in other countries that are served through our directly owned operations. We have thousands of additional organizational clients throughout the world which are served through our global licensee partner network, and we believe that our content, in all its forms, delivers results that encourage strong client loyalty. Our clients are in a broad array of industries, and we are not dependent on a single client or industry group. During the periods presented in this report, none of our clients were responsible for more than 10% of our consolidated revenues.

***Our Intellectual Property***

Our success has resulted in part from our proprietary content, methodologies, and other intellectual property rights. We seek to protect our intellectual property through a combination of trademarks, copyrights, and confidentiality agreements. We claim rights for 744 trademarks in the United States and foreign countries, and we have obtained registration in the United States and numerous foreign countries for many of our trademarks including *FranklinCovey, The 7 Habits of Highly Effective People, The 4 Disciplines of Execution*, and *The 7 Habits*. We consider our trademarks and other proprietary rights to be important and material to our business and we regularly review the status of our trademarks and renew them to prevent the trademark protection from lapsing.

We claim 265 registered copyrights, and own sole or joint copyrights on our books, manuals, text and other printed information provided in our training programs, and other electronic media products, including audio and video media. We may license, rather than sell, facilitator workbooks and other seminar and training materials in order to protect our intellectual property rights therein. We place trademark and copyright notices on our instructional, marketing, and advertising materials. In order to maintain the proprietary nature of our product information, we enter into written confidentiality agreements with certain executives, product developers, sales professionals, training consultants, other employees, and licensees. Additionally, we actively monitor and seek to eliminate unauthorized use of our intellectual property.

***Our Products and Sustainability***

We offer nearly all of our training materials and related accessories in digital format. If a client chooses to use paper-based materials in their training programs, we also offer printed materials. Our printed training materials are primarily comprised of paper, which we believe is a renewable and sustainable resource and all of our primary printer's paper suppliers are Forest Stewardship Council (FSC) certified. We purchase our training materials and related products from vendors and suppliers located both domestically and internationally, and we are not dependent upon any one vendor for the production of our training and related materials as the raw materials for these products are readily available. Our training materials are primarily warehoused and distributed from an independent warehouse facility located in Des Moines, Iowa.

***Seasonality***

Our fourth quarter of each fiscal year may have higher sales and operating income than other fiscal quarters primarily due to increased revenues in our Education Division (when school administrators and faculty have professional development days) and to increased sales that typically occur during that quarter from year-end incentive programs. Overall, training sales are moderately seasonal because of the timing of corporate training, which is not typically scheduled as heavily during holiday and certain vacation periods.

***Human Capital Resources***

Our mission is to "enable greatness in people and organizations everywhere," which is also the cornerstone of our culture. We aim to "win" with our associates by realizing the greatness within our FranklinCovey team members through two key strategies: First, strengthening our winning culture by building a brand to attract and retain achievers with heart and creating a more robust and intentional plan to engage our employees in the new world of work. Second, enhance our talent management and build an even higher-performing organization by recruiting and developing associates' current and future skills and refining our leadership pipeline. Our mission is what guides us in our endeavors.

We have historically attracted "mission-driven" people who care deeply about making a difference in the world. Our approach is to ensure accountability for each of us to take responsibility for our mission and culture. Accountability and responsibility are also reinforced through the roles of the Chief People Officer, the Director of Learning, Development, and Inclusion, and our Diversity, Equity, and Inclusion (DEI) Council.

*A Culture of Belonging at Franklin Covey*

To fulfill our mission and the goal of winning with associates, we must attract, develop, and retain highly qualified associates for each role in the organization. We currently have 1,084 associates worldwide dedicated to providing the best service possible for our clients and for each other. Our goal is to have every associate feel they are a valued member of a winning team doing meaningful work in an environment of trust, where their contributions are recognized and appreciated. To accomplish this ideal outcome, we continuously focus on attracting, developing, and retaining talent while looking through the lens of diversity, equity, and inclusion in each area.

*Talent Management, Development, and Retention*

The Chief People Officer strengthens the connection between our strategic intent and tactical systems and processes needed to grow our talent and organization globally. The Chief People Officer oversees the HR Operations, Talent Management, Learning, Development, & Inclusion functions. Our People Strategy envisions our intent to be the workplace of choice for achievers with heart, bookended by business strategy and business results. Our Talent Management Ecosystem framework clarifies the cyclical activities to align annual planning, merit, and performance management.

Our recruiting and hiring efforts cast a wide net when looking for candidates by partnering with many groups and agencies, including alumni organizations, multiple diversity job boards, career fairs, and conferences. We also have a comprehensive onboarding process, where during an associate's first 90 days, they complete a three-part Company orientation, which includes *The 7 Habits of Highly Effective People,* the operating system of our culture.

Our associates have unlimited access to our content and training through the AAP, where they can experience the same high-quality solutions available to our clients. Professional and personal development is an essential need for employees, so Learning Development and Inclusion ensures multiple ways for individual contributors and managers to engage with our content, just as our clients do. Our AAP content is organized into high-value asynchronous on-demand micro-courses and facilitator-led courses across four categories — Developing Leaders, Improving Individual Effectiveness, Building a Winning Culture, and Achieving Breakthrough Results. Internally, our associates have completed 5,714 hours in our All-Access Pass, including 2,800 hours of Microlearning, 420 hours of Application Challenges, and 454 hours of video lessons. Our consultants delivered 126 courses for our associates, which total 1,008 facilitated learning hours.

Building an environment that encourages lifelong learning and development is essential for us to maintain a high level of service and to achieve our goal of having every associate feel they can bring their whole selves to work. We believe Franklin Covey is one of the world's premier training and consulting organizations. Throughout our annual planning and review, our associates, in partnership with their managers, complete the Win-Win Performance Agreement to set achievement goals that guide regular performance conversations. By completing a Talent Profile, we know the developmental interest areas of our associates as we engage in succession planning at all levels of the organization.

Talented people are always in high demand, even more so in an environment where employees are reconsidering whether an employer suits their values, not just their financial concerns. As a remote-first employer, we are hyper-focused on relationship-building as a critical driver of engagement. To engage and retain our associates, it is crucial to continually focus on making sure our associates are highly engaged and feel valued. Our leaders highlight, acknowledge, and celebrate associate accomplishments–personal and professional–while ensuring employees understand that they have easy access to each of their leaders. We are committed to this engagement and will continue to prioritize it in the future.

*Diversity, Equity & Inclusion*

The DEI Council demonstrates our commitment to diversity, equity, and inclusion by providing input, insight, feedback, and guidance on our DEI initiatives. This multidisciplinary council is comprised of approximately 35 associates from across our organization, ensuring a wide range of perspectives. The DEI Council sponsors our Mentorship and Contribution Conversations programs, as well as a growing number of Employee Resource Groups (ERGs).

Our ERGs are employee-led networks serving historically underinvested and underrepresented associates and allies. They offer safe spaces for people to come together based on a shared interest in a specific dimension of equity and inclusion while actively working to enhance career opportunities, build cultural competence, and foster community within the organization. Our ERGs represent and support our diverse workforce, facilitate networking, and foster connections and engagement within the organization. All associates are welcome to join any ERG, regardless of how they self-identify. Franklin Covey currently supports eight ERGs.

*Total Rewards*

The first step in accountability for our people strategy comes from the Organization and Compensation Committee (the Compensation Committee) of the Board of Directors. The Compensation Committee has made talent stewardship a standing agenda item at Board committee meetings, demonstrating our unwavering commitment to nurturing and retaining top talent. The Compensation Committee is actively involved in determining best practices and implementing new and innovative ways to help us continually improve in attracting, developing, and retaining top talent for Franklin Covey. The Compensation Committee's efforts include the following:

- Our compensation plans are audited periodically to assess ongoing pay equity.
- We provide a generous personal time off benefit and a flexible and inclusive holiday schedule, reflecting the diversity of our workforce and the celebration of various cultural and religious affiliations.
- We offer 100% salary continuance for up to 12 weeks in a rolling 12-month period for qualifying medical leave and provide many other employee-minded benefits.
- Through our Employee Assistance Program (EAP), we provide U.S. employees and their families with free and confidential support for mental health, legal, and financial concerns.

Our focus on people, not just as human capital assets but as whole persons, has been a hallmark of Franklin Covey for decades, understanding that people are a company's most valuable investment and that culture is an organization's ultimate competitive advantage.

Our Winning Culture strategic pillar is both a cultural value and a business approach. Its primary three elements are: The Whole Person, Trust, and Inclusion. Our associates operate from the knowledge that they are partners in creating a balanced and beneficial work environment because they are seen as whole people who offer their best efforts and ideas for our most important goals in ways that bring out the best in themselves and others.

***Government Contracts***

Our U.S. government contracts are subject to the approval of appropriations by the U.S. Congress to the fund the agencies contracting for our offerings and products. Additionally, our contracts at the state and local levels, including contracts with school districts and other public educational institutions, are subject to various governmental authorizations and funding approvals and mechanisms. Certain of these contracts may be terminated at any time by the government entity without cause or penalty.

***Information About Our Executive Officers***

Effective September 1, 2023, Robert A. Whitman transitioned from his roles as both Executive Chairman and Chairman of the Board of Directors to serve solely as our Chairman of the Board of Directors. Mr. Whitman held the role of

Executive Chairman from September 1, 2021 through August 31, 2023. On September 1, 2021, Paul S. Walker was appointed President and Chief Executive Officer of Franklin Covey as Robert A. Whitman transitioned from his role as Chief Executive Officer to Executive Chairman and Chairman of the Board of Directors as described above. Unless noted in the biographical information, the remaining executives served in their described roles throughout the fiscal year ended August 31, 2024.

***M. Sean Covey***, 60, currently serves as President of the Franklin Covey Education Division, and has led the growth of this division from its infancy to its status today. The Education Division works with thousands of education entities throughout the world in the K-12 and Higher Education markets. Mr. Covey previously ran the Franklin Covey international licensee network and has been an executive officer since September 2008. Sean also served as the Executive Vice-President of Innovations from 2003 to 2018, where he led the development of many of our offerings, including the *The 4 Disciplines of Execution* and *The Leader in Me*. Prior to 2006, Sean ran the Franklin Covey retail chain of stores. Previous to Franklin Covey, Mr. Covey worked for the Walt Disney Company, Trammel Crow Ventures, and Deloitte & Touche Consulting. Mr. Covey is also a New York Times best-selling author and has authored or coauthored several books, including *The 4 Disciplines of Execution*, *The Leader in Me*, and the international bestseller *The 7 Habits of Highly Effective Teens*. Mr. Covey graduated from Brigham Young University (BYU) with a Bachelor's degree in English and later earned an MBA from Harvard Business School. While at BYU, Sean was the quarterback for the football team where he earned several honors and led his team to two bowl games. Sean is also the founder and chairman of "Bridle Up Hope," a global non-profit organization with a mission to inspire hope, confidence, and resilience in young women through equestrian training, life skills development, and service.

***Jennifer C. Colosimo***, 55, has served as the President of the Enterprise Division since September 2020 and was appointed an executive officer in January 2021. Ms. Colosimo began her career with Andersen Consulting (now Accenture) in 1991 and joined Franklin Covey in 1996 and served in various roles including Client Partner, Delivery Consultant, Chief Operations Officer, and head of the Leadership Practice until 2011. During this time, Ms. Colosimo coauthored the book, *Great Work, Great Career* with Dr. Stephen R. Covey. From May 2011 through April 2016, Ms. Colosimo led teams responsible for culture, learning, and corporate social responsibility with DaVita and several private equity-backed organizations. Ms. Colosimo returned to Franklin Covey in April 2016 as the Senior Vice-President of Sales and Operations in the United States and Canada. Jennifer sits on the Audit and Finance Committee of the Women's Foundation of Colorado and was a board member of the Girl Scouts of Colorado for 10 years. Ms. Colosimo completed her Bachelor of Science at the University of Utah and received a Master of Science from Purdue University. Ms. Colosimo has also completed post-graduate work on Authentic Leadership and Executive Coaching through the Harvard Business School and Columbia University, respectively.

***Colleen Dom***, 62, was appointed the Executive Vice-President of Operations in September 2013. Ms. Dom began her career with the Company in 1985 and served as the first Client Service Coordinator, providing service and seminar support for some of the Company's very first clients. Prior to her appointment as an Executive Vice-President, Ms. Dom served as Vice-President of Domestic Operations since 1997 where she had responsibility for the Company's North American operations, including client support, supply chain, and feedback operations. During her time at Franklin Covey Co., Colleen has been instrumental in creating and implementing systems and processes that have supported the Company's strategic objectives and has more than 35 years of experience in client services, sales support, operations, management, and supply chain. Due to her valuable understanding of the Company's global operations, Ms. Dom has been responsible for numerous key assignments that have enhanced client support, optimized operations, and built capabilities for future growth. Prior to joining the Company, Ms. Dom worked in retail management and in the financial investment industry.

***Meisha R. Sherman***, 54, was appointed as an Executive Vice-President and our Chief People Officer on February 14, 2023. Ms. Sherman has over 30 years in human resources with a focus on creating high-trust, high-performing cultures. Her career spans many industries, including wellness, dental, technology, government aerospace defense, consulting, and banking and finance. Ms. Sherman has led in Fortune 10 to Fortune 1000 companies including Mindbody, Envista Corporation, Danaher Corporation, Hewlett Packard, Raytheon Technologies, Alert Staffing, Remedy, and Bank of America. During her career, Ms. Sherman has held executive leadership roles such as Chief People Officer; Vice-President, Global Human Resources; and Global Director, Executive Leadership and Organizational Development. Meisha served in the United States Army for six years and was responsible for the recruitment, development, and retention of soldiers. Today, she continues to serve those in military service and veterans in partnership with the USO, San Diego. She also serves as immediate past Board Chair of California Coast Credit Union and is Chairwoman of the Board of Neighborhood House Association (NHA). Ms. Sherman earned an MBA from Pepperdine University Graziadio School of Business and Management and a bachelor's degree in interdisciplinary studies from California State University Dominguez Hills, graduating magna cum laude.

***Paul S. Walker***, 49, currently serves as the Company's President and Chief Executive Officer, and was appointed to our Board of Directors effective July 1, 2023. Mr. Walker began his career with the Company in 2000 in the role of business developer, and quickly moved to become a Client Partner and then an Area Director. In 2007, Mr. Walker became General Manager of the North America Central Region. In 2014, Paul assumed responsibility for the Company's United Kingdom operations in addition to his role as General Manager of the Central Region. In 2016, Mr. Walker relocated to the Company's Salt Lake City, Utah headquarters where he served as Executive Vice-President of Global Sales and Delivery and as President of the Company's Enterprise Division until November 2019 when Paul was appointed President and Chief Operating Officer. During his time at Franklin Covey, Mr. Walker has led many digital transformation projects, including the transition to the All Access Pass. Mr. Walker graduated from Brigham Young University with a Bachelor of Arts in Communications.

***Stephen D. Young***, 71, joined Franklin Covey as Executive Vice-President of Finance, was appointed Chief Accounting Officer and Controller in January 2001, Chief Financial Officer in November 2002, and Corporate Secretary in March 2005. Prior to joining us, he served as Senior Vice-President of Finance, Chief Financial Officer, and director of international operations for Weider Nutrition for seven years; as Vice-President of Finance at First Health for ten years; and as an auditor at Fox and Company, a public accounting firm, for four years. Mr. Young has more than 40 years of accounting and management experience and is a Certified Public Accountant. Mr. Young was awarded a Bachelor of Science in Accounting from Brigham Young University.

***Available Information***

We regularly file reports with the Securities and Exchange Commission (the SEC). These reports include, but are not limited to, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and security transaction reports on Forms 3, 4, or 5. The SEC also maintains electronic versions of the Company's reports, proxy and information statements, and other information that the Company files with the SEC on its website at www.sec.gov.

The Company makes our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other reports filed or furnished with the SEC available to the public, free of charge, through our website at www.franklincovey.com. These reports are provided through our website as soon as is reasonably practicable after we file or furnish these reports with the SEC. Unless expressly noted, the information on our website or any other website is not incorporated by reference in this Annual Report on Form 10-K or any other filing we make with the SEC.

## ITEM 1A. RISK FACTORS

Our industry and business environment, domestic and international economic conditions, geopolitical circumstances, changing social standards, cybersecurity, and other specific risks may affect our future business decisions and financial performance. The matters discussed below may cause our future results to differ from past results or those described in forward-looking statements and could have a material effect on our business, financial condition, liquidity, results of operations, and stock price, and should be considered in evaluating Franklin Covey Co.

The risks included here are not exhaustive. Other sections of this report may include additional risk factors which could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing global environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.  Further, the disclosure of risks identified below does not imply that the risk has already materialized.

***Training Industry and Strategic Risks***

*We operate in an intensely competitive industry and our competitors may develop programs, services, or courses that adversely affect our ability to sell our offerings.*

The training and consulting services industry is intensely competitive with relatively easy entry.  Competitors continually introduce new programs, services, and delivery methods that may compete directly with our offerings, or that may make our offerings uncompetitive or obsolete.  Larger competitors may have superior abilities to compete for clients and skilled professionals, reducing our ability to deliver quality work to our clients.  Some of our competitors may have greater financial and other resources than we do.  In addition, one or more of our competitors may develop and implement training courses or methodologies that may adversely affect our ability to sell our offerings and products to new clients.  Any one of these circumstances could have an adverse effect on our ability to obtain new business and successfully deliver our services.

*Our business depends on renewals of subscription-based offerings and sales of new subscription-based services for a significant portion of our revenue, and our failure to renew at historical rates or generate new sales of such offerings will lead to a decrease in our revenues.*

A large portion of our success depends on our ability to generate renewals of our subscription-based offerings, which primarily consist of the AAP and *Leader in Me* membership, and produce new sales of our offerings and products to both new and existing clients.  Currently, the majority of our revenue is generated from subscription-based offerings and related materials sales.  Generating new sales of our subscription-based offerings and products, both to new and existing clients, is a challenging, costly, and often time-consuming process.  If we are unable to generate new sales, due to competition or other factors, our revenues will be adversely affected.

Our subscription contracts are typically for periods of 12 months or longer.  Our ability to maintain contract renewals is subject to numerous factors, including:

- delivering high-quality content, solutions, and coaching to our clients;
- understanding and anticipating market and technology trends and the changing needs of our clients; and
- providing offerings and products of the quality and timeliness necessary to withstand competition.

Additionally, as we continue to adjust our offerings and products to meet our clients' needs, we may shift the type and pricing of our offerings, which may adversely impact client renewal rates.  There can be no guarantee that we will be able to maintain consistent customer renewals in future periods.  If we are not able to generate new sales and maintain contract renewals, our business and results of operations may be adversely affected.

*Failure to maintain our reputation, brand image, and culture could negatively impact our business.*

Our success depends on our ability to maintain and enhance our brand image and reputation.  Maintaining, promoting, and growing our brands will depend on our design and marketing efforts, including advertising and consumer campaigns, content and platform innovation and quality, and our efforts in these respects may not have the desired impact on our brand image and reputation.  In addition, our success in maintaining, extending, and expanding our brand image depends on our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and digital dissemination of advertising campaigns on our digital platforms and through our digital experiences.  We could be adversely impacted if we fail to achieve any of these objectives.

Our brand value also depends on our ability to maintain a positive consumer perception of our corporate integrity, purpose, and brand culture. Negative claims or publicity involving us, our culture and values, our products, services and experiences, consumer data, or any of our affiliates could seriously damage our reputation and brand image, regardless of whether such claims are accurate. Further, our reputation and brand image could be damaged as a result of our support of, association with or lack of support or disapproval of certain social causes, as well as any decisions we make to continue to conduct, or change, certain of our activities in response to such considerations. Social media, which accelerates and potentially amplifies the scope of negative publicity, can increase the challenges of responding to negative claims. Adverse publicity about regulatory or legal action against us, or by us, could also damage our reputation and brand image, undermine consumer confidence in us, and reduce long-term demand for our products, even if the regulatory or legal action is unfounded or not material to our operations. If the reputation, perception, or image of any of our brands is tarnished or if we receive negative publicity, our financial condition and results of operations could be materially and adversely affected.

*Some terminology, language, or content in our offerings may be deemed offensive by certain individuals due to rapidly changing societal norms, which may cause damage to our brand or reputation.*

Our mission is to enable greatness in individuals and organizations everywhere regardless of race, religion, gender, or other individual characteristics. We write and design our content and materials to accomplish this mission and believe that the principles we teach improve lives. Through our directly owned offices and international licensees, our content is delivered in numerous countries around the world in different languages and in different cultures. The language, graphics, and examples used in our content and materials may be understood and interpreted differently by individuals based on culture, experience, societal norms, and other factors. As a result, some individuals may find some of the content in our materials offensive. While we have developed an ongoing review process to remove potentially offensive terms or images from our materials, a rapidly changing cultural and social environment may create unfavorable interpretations of language or images faster than we can identify and remediate them. Although our intent is to educate and improve individual lives and organizational cultures without offense, an unfavorable interpretation by an individual or organization of the language, concepts, or images used in our content or materials may harm our reputation and brand, cause us to lose business, and adversely affect our results of operations.

*We have only a limited ability to protect our intellectual property rights, which are important to our success.*

Our financial success is partially dependent on our ability to protect our proprietary offerings and other intellectual property. The existing laws of some countries in which we provide services might offer only limited protection of our intellectual property rights. To protect our intellectual property, we rely upon a combination of confidentiality policies, nondisclosure and other contractual arrangements, as well as copyright and trademark laws. The steps we take in this regard may not be adequate to prevent or deter infringement or other misappropriation of our intellectual property, and we might not be able to detect unauthorized use of, or take appropriate and timely steps to enforce, our intellectual property rights, especially in foreign jurisdictions.

The loss of proprietary content or the unauthorized use of our intellectual property may create greater competition, loss of revenue, and adverse publicity, and may also limit our ability to reuse that intellectual property with other clients. Any limitation on our ability to provide a service or solution could cause us to lose revenue-generating opportunities and require us to incur additional expenses to develop new or modified solutions for future engagements.

*The loss of governmental funding and contributions from charitable organizations could harm our Education Division's ability to grow and expand into new schools in the future.*

Schools in the United States benefit from governmental funding initiatives, such as the Elementary and Secondary School Emergency Relief (ESSER) program, which provide additional funding for schools to pursue improvement programs such as our *Leader in Me* offering. In addition, we partner with charitable organizations to fund *Leader in Me* programs in many schools across the country. Supported by numerous studies and endorsements, we believe the *Leader in Me* program provides meaningful and measurable improvement to the academic environment of schools, which enable the educational institutions to utilize governmental funding and attract additional support from charitable organizations to implement our *Leader in Me* offering. If governmental funding for school improvement expires or is reduced, or charitable organizations decide not to continue to support *Leader in Me* schools, our results of operations, cash flows, and financial position may be adversely impacted.

*We depend on key personnel, the loss of whom could harm our business.*

Our future success will depend, in part, on the continued service of key executive officers and personnel. The loss of the services of any key individuals could harm our business. Our future success also depends on our ability to identify, attract, and retain additional qualified senior personnel. Competition for such individuals in the current labor market and in our industry is intense, and we may not be successful in attracting and retaining such personnel.

*If we are unable to attract, retain, and motivate high-quality employees, including sales personnel and training consultants, we may not be able to grow our business as projected or may not be able to compete effectively.*

Our success and ability to grow are partially dependent on our ability to hire, retain, and motivate sufficient numbers of talented people with the increasingly diverse skills needed to serve our clients and grow our business. Competition for skilled personnel is intense at all levels of experience and seniority. There is a risk that we will be unable to hire and retain a sufficient number of employees with the skills or backgrounds we require, or that it will prove difficult to retain them in a competitive and inflationary labor market. If we are unable to hire and retain talented sales and delivery employees with the skills, and in the locations, we require, we might not be able to grow our business at projected levels or may not be able to effectively deliver our content and services. If we need to hire additional personnel to maintain a specified number of sales personnel or are required to re-assign personnel from other geographic areas, it could increase our costs and adversely affect our profit margins. In addition, the inability of newly hired sales personnel to achieve increased sales metrics as they progress may inhibit our ability to attain anticipated sales growth.

*Our work with governmental clients exposes us to additional risks that are inherent in the government contracting process.*

Our clients include national, state, provincial, and local governmental entities, and our work with these governmental entities has various risks inherent in the governmental contracting process. These risks include, but are not limited to, the following:

- Governmental entities typically fund projects through appropriated monies. While these projects are often planned and executed as multi-year projects, the governmental entities usually reserve the right to change the scope of, or terminate, these projects for lack of approved funding, budgetary changes, and other discretionary reasons. Changes in governmental priorities or other political developments, including disruptions in governmental operations, could result in reductions in the scope of, or in termination of, our existing contracts.
- Governmental entities often reserve the right to audit our contract costs, including allocated indirect costs, and conduct inquiries and investigations of our business practices with respect to our government contracts. Findings from an audit may result in our being required to prospectively adjust previously agreed upon rates for our work, which may adversely affect our future margins.
- If a governmental client discovers improper activities in the course of audits or investigations, we may become subject to various civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions, or debarment from doing business with other agencies of that government.
- Political and economic factors such as pending elections, the outcome of elections, revisions to governmental tax policies, sequestration, debt ceiling negotiations, and reduced tax revenues can affect the number and terms of new governmental contracts signed.

The occurrences or conditions described above could affect not only our business with the particular governmental agency involved, but also our business with other agencies of the same or other governmental entities. Additionally, because of their visibility and political nature, governmental contracts may present a heightened risk to our reputation. Any of these factors could have an adverse effect on our business or our results of operations.

***Cybersecurity and Information Technology Risks***

*The All Access Pass and Leader in Me subscription services are internet-based platforms, and as such we are subject to increased risks of cyber-attacks and other security breaches that could have a material adverse effect on our business.*

As part of selling subscription-based services, we collect, process, and retain a limited amount of sensitive and confidential information regarding our customers. Because our subscription services are internet-based platforms, our facilities and systems may be vulnerable to external or internal security breaches, acts of vandalism, computer viruses, misplaced or lost data, stolen intellectual property, programming or human errors, or other similar events.

The access by unauthorized persons to, or the improper disclosure by us of, confidential information regarding our customers or our own proprietary information, software, methodologies, and business secrets could result in significant legal and financial exposure, damage to our reputation, or a loss of confidence in the security of our systems, products, and services, which could have a material adverse effect on our business, financial condition, or results of operations. To the extent we are involved in any future cyber-attacks or other security incidents, our brand and reputation could be affected, and these conditions could also have a material adverse effect on our business, financial condition, or results of operations.

For further information on our cybersecurity efforts and Board of Directors oversight, please refer to Item 1C *Cybersecurity* as found in this Annual Report on Form 10-K.

*We could incur additional liabilities and our reputation could be damaged if we do not protect client data or if our information systems are breached.*

We are dependent on information technology networks and systems to process, transmit, and store electronic information and to communicate between our locations around the world and with our clients. Security breaches of this infrastructure could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of personal and confidential data. We are also required at times to manage, utilize, and store personal data, including sensitive or confidential client or employee data. As a result, we are subject to numerous U.S. and foreign jurisdiction laws and regulations designed to protect this information, such as the various U.S. federal and state laws governing the protection of personal data. If we, our associates, business partners, or our service providers negligently disregard or intentionally breach our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to notification requirements, monetary damages, fines, and/or criminal prosecution, as well as litigation from parties impacted by a breach of their data or harm to their systems as a result of malware or other security incidents within our own networks or systems. Unauthorized disclosure, loss or alteration of personal, sensitive, or confidential client or employee data or client or end-user systems, whether through systems failure, employee negligence, fraud, or misappropriation could damage our reputation and cause us to lose clients.

Legal requirements relating to the collection, storage, handling, and transfer of personal data continue to evolve. For example, in May 2018 the General Data Protection Regulation (GDPR) became effective in the European Union (EU) and other countries within the European Economic Area. The GDPR imposes strict requirements on the collection, use, security, and transfer of personal data in and from applicable countries. Under GDPR, fines of up to 20 million Euros or up to 4% of the annual global revenues of the infringer, whichever is greater, could be imposed. Although GDPR applies across the European Economic Area, local data protection authorities still have the ability to interpret GDPR, and in some areas to legislate requirements even more stringent than those in the GDPR, which occasionally creates inconsistencies in application on a country-by-country basis. Furthermore, with the United Kingdom's (UK) transition out of the EU as of January 1, 2021, we may encounter additional complexity with respect to data privacy and data transfers to and from the UK under the UK GDPR. Other countries, such as Brazil, Australia, Canada, Japan, and South Africa, have also enacted data protection laws, some of which are analogous to GDPR and others which have different and additional requirements, which may include data localization. We have implemented policies, controls, and procedures, including a team dedicated to data protection, to comply with the requirements of GDPR/UK GDPR and analogous laws. However, these new procedures and controls may not be completely effective in preventing breaches or unauthorized processing of personal data. In addition, as the laws in certain countries are fairly new, there may not always be sufficient guidance from the applicable regulators, or case law interpreting the laws. Accordingly, we will need to continue evolving our compliance measures over time, and there is some risk that common interpretations of the requirements in such laws may not necessarily align with opinions of applicable regulators or potential litigants, such that the risk of fines and litigation may be increased in countries with newer laws.

In addition, on July 16, 2020, the Court of Justice of the European Union (CJEU) invalidated the EU-U.S. Privacy Shield, a framework that had enabled companies to transfer data from EU member states to the U.S. On September 8, 2020, the Swiss Federal Data Protection and Information Commissioner followed suit, and announced that the Swiss-U.S. Privacy Shield Framework was inadequate for personal data transfers from Switzerland to the U.S.

The Privacy Shield Framework has now been replaced by the new Data Privacy Framework (DPF) together with a UK Extension to the EU-U.S. DPF and the Swiss-U.S. DPF. The DPF was developed by the U.S. Department of Commerce and the European Commission, UK Government, and Swiss Federal Administration, to provide U.S. organizations with reliable mechanisms for personal data transfers to the U.S. from the EU, UK and Switzerland. The European Commission adopted an adequacy decision for the EU-U.S. DPF on July 10, 2023. We have postponed our efforts to become certified under the DPF as several parties have indicated that they will be filing legal challenges to the DPF, so the continued viability of this transfer mechanism remains in some doubt.

Due to the invalidation of the Privacy Shield and the current and likely future additional challenges to the DPF, we will continue to utilize the newer Standard Contractual Clauses (SCCs), adopted by the European Commission on June 4, 2021, as a GDPR-compliant mechanism for the transfer of personal data from the EU, UK and Switzerland to the U.S., in addition to the DPF. The new SCCs imposed additional obligations relating to data transfers, including the obligation to conduct a transfer impact assessment and, depending on a party's role in the transfer and the laws and practices of the destination country, to implement additional security measures, and to update internal privacy practices. Regulatory guidance suggests that certain transfers of personal data to the U.S. could be compliant only if the recipient is able to implement specific technical and procedural security controls to protect that personal data, and such controls may not be practical for certain service delivery models, in particular those reliant on cloud services. To the extent we rely on the SCCs for data transfers, we may be required to incur significant time and resources to update our contractual arrangements and implement the supplementary security measures necessary to comply with new requirements. Compliance may also require changes in services, business practices, or internal systems that may result in increased costs, lower revenue, reduced efficiency, or greater difficulty in competing with foreign-based firms. Failure to comply with existing or new rules may result in significant penalties or orders to stop the alleged noncompliant activity. The inability to import personal data from Europe to the United States or other countries may decrease demand for our products and services as our customers that are subject to such laws may seek alternatives that do not involve personal data transfers out of Europe. Our inability to transfer personal data to the United States and other countries may decrease the functionality or effectiveness of our products and services, increase costs, and adversely impact our marketing efforts, plans, and activities.

Further, in 2021, China adopted the PRC Personal Information Protection Law, or PIPL, and the Data Security Law, or DSL. The PIPL took effect on November 1, 2021 and the DSL took effect on September 1, 2021. The PIPL and DSL in combination establish comprehensive requirements relating to the collection, use, transfer, security, and other processing of personal information in or from China. The PIPL and DSL together incorporate many requirements common to international privacy and security laws, such as GDPR, and adds unique regulatory requirements relating to data localization, international data transfers, consumer consent, the processing of "sensitive personal information," and the operations of certain "internet platform services." Fines and penalties under the PIPL range from fines up to RMB 50,000,000 or 5% of global annual turnover, and fines under the DSL related to data transfer violations may range up to RMB 10,000,000 and data transfers may be suspended as a result of violations. Violations of these laws may also result in the cancellation of business authorizations, personal liability or professional restrictions for responsible company officers, as well as criminal and civil liability. Early enforcement actions under PIPL have included civil actions against companies that fail to obtain proper consent for processing sensitive personal information or other unlawful data collection. Recent regulatory actions have centered on ineffective channels for data subjects to exercise rights, the over-collection of personal information, and deceptive practices. As we observe China's enforcement of the PIPL, DSL and associated laws and regulations over time, we may need to adjust our compliance activities, and we may experience increased costs, business inefficiencies, lost sales, decreased demand, and decreased competitiveness, as we may be unable to provide our services or certain features, or provide them in an efficient or centralized manner. Additionally, local companies may be favored by customers who will not consent to or accept transfer of their data out of China. Fines, corrective actions, or other penalties asserted due to alleged noncompliance may impose additional financial or operational costs, limit our ability to attract and retain local talent, or limit our ability to do business in China. These risks may be magnified due to regulatory uncertainty and selective enforcement based on geopolitical motives. Additionally, under the PIPL or DSL, we may be subject to additional liabilities, claims, penalties, or causes of action in the event of a breach or various security violations of customer personal information.

Other governmental authorities throughout the U.S. and around the world are considering or have adopted similar types of legislative and regulatory proposals concerning data protection. For example, in June 2018, the State of California enacted the California Consumer Privacy Act of 2018 (the CCPA), which took effect on January 1, 2020, and which has subsequently been amended to add new requirements. The CCPA requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, and allows consumers to opt out of data sales, as well as certain data sharing with third parties and provides a new private cause of action for data breaches. Additionally, the California Privacy Rights Act (the CPRA) amendments expanded consumer rights related to sharing of personal data, granted additional personal-data rights to consumers, removed the exceptions for business-to-business and employment data, and removed the 30-day window to cure alleged noncompliance before being subject to administrative enforcement. Nineteen other states have also passed comprehensive consumer privacy laws that are now in effect or will come into effect in the near future. Numerous other states have seriously considered passing consumer privacy laws, and a significant number of additional states are expected to adopt such laws in the future, especially if Congress persists in failing to pass a federal privacy law, as discussed below. Many of these state consumer privacy laws, like the CCPA, impose heightened privacy disclosure requirements, provide consumers with rights relating to their personal data, and impose security requirements relating to consumers' personal data. Several states have also adopted specialized privacy laws to protect individuals' biometric data and health data and some of these laws may create new compliance risks relating to our processing of these kinds of data. Furthermore, various drafts of a comprehensive federal privacy bill have been introduced to Congress, and more will likely be introduced in the coming legislative terms. Some of the proposed bills, including the recent American Privacy Rights Act of 2024 would reduce compliance risks and costs by either setting a consistent, nationwide federal minimum standard for consumer privacy or by preempting some aspects of state privacy legislation. However, the scope of preemption and enforcement-related matters remains contentious in Congress. Moreover, although these proposed bills have drawn bipartisan support, the failure of Congress to pass any of the proposed bills calls into question Congress's ability to find a workable compromise that would enable Congress to pass a federal consumer privacy law. The Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination, and security of data. These privacy, security, and data protection laws and regulations continue to evolve and enforcement in the U.S. and internationally continues to increase. These developments could impose significant limitations on or require changes to our business, restrict our use or storage of personal data, and increase risks of legal liability, which may in turn increase our compliance risk and expenses, and make our business more costly or less efficient to conduct. To the extent any of these laws include a private right of action, we may also face increased risk of litigation.

We strive to employ global best practices in securing and monitoring code, applications, systems, processes, and data, and our data protection practices are regularly reviewed and validated by an external auditing firm. However, no information security program is perfect, and these efforts may be insufficient to protect sensitive information against illegal activities. We are exposed to additional liabilities from the various data protection laws enacted within the jurisdictions where we operate, as well as a risk of litigation in jurisdictions where there is a private right of action related to violations.

*Technology is rapidly evolving, and if we do not continue to develop and improve our offerings and technology platforms, in response to these changes, our business could suffer.*

Since the introduction of our online subscription services, our dependence on the use of sophisticated technologies and information systems, particularly including technologies and information systems provided by third parties, has increased. Moreover, our technology platforms will require us to continue cash investments (including business acquisitions) to expand existing offerings, improve the client experience, and develop complementary offerings. Our future success depends in part on our ability to adapt our services and infrastructure while maintaining and continuing to improve the performance, features, security, and reliability of our services in response to the evolving demands of the marketplace. Failure to adapt and improve these areas could have an adverse effect on our business, including our results of operations, financial position, and cash flows.

*Our use of artificial intelligence technologies may not be successful and may present business, compliance, and reputational risks.*

We are working to integrate artificial intelligence (AI) technologies in some of our products and processes. If we fail to keep pace with rapidly evolving AI technological developments, our competitive position and business results may be negatively impacted. Our use of AI technologies will require resources to develop, test, and maintain such products, which could be costly. Third parties may be able to use AI to create technology that could reduce demand for our products. In addition, the introduction of AI technologies, particularly generative AI, into new or existing offerings may result in new or expanded risks and liabilities, due to enhanced governmental or regulatory scrutiny, litigation, compliance issues, ethical concerns, confidentiality, data privacy or security risks, as well as other factors that could adversely affect our business, reputation, and financial results. For example, the use of AI technologies could lead to unintended consequences, such as accuracy issues, cybersecurity risks, unintended biases, and discriminatory outputs, which could impact our ability to protect our data, intellectual property, and client information, or could expose us to intellectual property infringement claims.

***Public Company Risks***

*We may fail to meet analyst expectations, which could cause the price of our stock to decline.*

Our common stock is publicly traded on the NYSE, and at any given time various securities analysts follow our financial results and issue reports on us. These periodic reports include information about our historical financial results as well as the analysts' estimates of our future performance. The analysts' estimates are based on their own opinions and are often different from our estimates or expectations. The price of our common stock could, however, decline if an analyst downgrades our common stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business. If analysts do not continue to follow us or if our operating results are below the estimates or expectations of public market analysts and investors, our stock price could decline. If our stock price is volatile, we may become involved in securities litigation following a decline in price. Any litigation could result in substantial costs and a diversion of management's attention and resources that are needed to successfully run our business.

*Our business performance may not be sufficient for us to meet the financial guidance that we provide publicly.*

We may provide financial guidance to the public based upon expectations regarding our financial performance. Such financial guidance is based on assumptions that may not always prove to be accurate and may vary from actual results. If we fail to meet the financial guidance that we provide, or if we find it necessary to revise such guidance during the year, the market value of our common stock could be adversely affected.

*Our future quarterly operating results are subject to factors that can cause fluctuations in our stock price.*

Historically, our stock price has experienced significant volatility. We expect that our stock price may continue to experience volatility in the future due to a variety of potential factors that may include the following:

- Fluctuations in our quarterly results of operations and cash flows
- Overall market volatility
- Variations between our actual financial results and market expectations
- Changes in key balances, such as cash and deferred revenues
- Currency exchange rate fluctuations
- Unexpected asset impairment charges

These factors, among others, may have an adverse effect upon our stock price in the future.

***Liquidity and Capital Resource Risks***

*We may need additional capital in the future, and this capital may not be available to us on favorable terms or at all.*

We may need to raise additional funds through public or private debt offerings or equity financings in order to:

- Develop new services, programs, or offerings
- Take advantage of opportunities, including business acquisitions
- Respond to competitive pressures

Going forward, we will continue to incur costs necessary for the day-to-day operation and potential growth of the business and may use our available revolving line of credit facility and other financing alternatives, if necessary, for these expenditures. We obtained a new credit agreement in March 2023 (the 2023 Credit Agreement) with a new lender that expires in March 2028. We expect to regularly renew or amend our lending agreement in the future to maintain the availability of this credit facility. Additional potential sources of liquidity available to us include factoring receivables, issuance of additional equity, or issuance of debt from public or private sources. If necessary, we will evaluate all of these options and select one or more of them depending on overall capital needs and the associated cost of capital.

Any additional capital raised through the sale of equity could dilute current shareholders' ownership percentage in us. Furthermore, we may be unable to obtain the necessary capital on terms or conditions that are favorable to us, or at all.

*Failure to comply with the terms and conditions of our credit facility may have an adverse effect upon our business and operations.*

Our 2023 Credit Agreement requires us to comply with customary non-financial terms and conditions as well as specified financial ratios. Failure to comply with these terms and conditions or maintain adequate financial performance to comply with specific financial ratios entitles the lender to certain remedies, including the right to immediately call due any amounts owed on the credit agreement. Such events would have an adverse effect upon our business and operations as there can be no assurance that we may be able to obtain other forms of financing or raise additional capital on terms that would be acceptable to us.

*We may not be able to generate sufficient cash to service our indebtedness, and we may be forced to take other actions to satisfy our payment obligations under our indebtedness, which may not be successful.*

Our ability to make scheduled payments on or to refinance our indebtedness depends on our future performance, including the performance of our subsidiaries, which will be affected by financial, business and economic conditions, competition, and other factors. We are unable to control many of these factors, such as the general economy, economic conditions in the industries in which we operate, and competitive pressures. Our cash flows may be insufficient to allow us to pay principal and interest on our indebtedness and to meet our other obligations. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures or to sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may be unsuccessful, and we may not meet our scheduled debt service obligations. In addition, the terms of existing or future debt agreements, including our 2023 Credit Agreement and subsequent modifications, may restrict us from pursuing any of these alternatives.

In the event that we need to refinance all or a portion of our outstanding indebtedness before maturity or as it matures, we may not be able to obtain terms as favorable as the terms of our existing indebtedness or refinance our existing indebtedness at all. If interest rates or other factors existing at the time of refinancing result in higher interest rates upon refinancing, we will incur higher interest expense. Furthermore, if any rating agency changes our credit rating or outlook, our debt and equity securities could be negatively affected, which could adversely affect our financial condition and financial results.

***General Business Risks***

*Unstable market and economic conditions may have serious adverse consequences on our business, financial condition, and operations.*

The global credit and financial markets have from time to time experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about economic stability. The financial markets and the global economy may also be adversely affected by the current or anticipated impact of military conflict, including the conflict between Russia and Ukraine, terrorism, or other geopolitical events. Sanctions imposed by the United States and other countries in response to such conflicts, including the one in Ukraine, may also adversely impact the financial markets and the global economy, and any economic countermeasures by the affected countries or others could exacerbate market and economic instability. There can be no assurance that a deterioration in markets and confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, volatile business environment, or continued unpredictable and unstable market conditions.

*Our results of operations may be adversely impacted by the costs of persistent and rising inflation if we are unable to pass these costs on to our clients.*

In recent years, inflation has increased significantly in the United States and in many of the countries where we conduct business. Inflation increases the cost of many aspects of our business, including the cost of our products sold, benefit costs, travel expenses, and associate salaries since we must increase our compensation to retain key personnel. If we are unable to increase our prices to sufficiently offset the increased costs of doing business, our results of operations and profitability may be adversely impacted.

*Our global operations pose complex management, foreign currency, legal, tax, and economic risks, which we may not adequately address.*

We have directly owned offices that serve clients in Austria, Australia, China, Germany, Ireland, Japan, New Zealand, Switzerland, and the United Kingdom. We also have licensed operations in numerous other foreign countries. As a result of these foreign operations and their impact upon our financial statements, we are subject to a number of risks, including, but not limited to:

- Restrictions on the movement of cash
- The absence in some jurisdictions of effective laws to protect our intellectual property rights
- Political instability
- Compliance with extensive and evolving laws and regulations that are often ambiguous or inconsistently enforced
- Currency exchange rate fluctuations

These and other related risks could adversely affect our ability to access sources of liquidity, increase costs related to regulatory compliance, and adversely affect our results of operations.

*Our global operations expose us to numerous and sometimes conflicting legal and regulatory requirements, and violation of these regulations could harm our business.*

Because we provide services to clients in many countries, we are subject to numerous, and sometimes conflicting, regulations on matters as diverse as import/export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, government affairs, internal and disclosure control obligations, data privacy, and labor relations. Violations of these regulations in the conduct of our business could result in fines, criminal sanctions against us or our officers, prohibitions on doing business, and damage to our reputation. Violations of these regulations in connection with the performance of our obligations to our clients also could result in liability for monetary damages, fines, unfavorable publicity, and allegations by our clients that we have not performed our contractual obligations. Due to the varying degrees of development of the legal systems of the countries in which we operate, local laws may be insufficient to protect our rights.

In many parts of the world, including countries in which we operate, practices in the local business community might not conform to international business standards and could violate anticorruption regulations, including the United States Foreign Corrupt Practices Act, which prohibits giving anything of value intended to influence the awarding of government contracts. Although we have policies and procedures to ensure legal and regulatory compliance, our employees, licensee operators, and agents could take actions that violate these requirements. Violations of these regulations could subject us to criminal or civil enforcement actions, including fines and suspension or disqualification from United States federal procurement contracting, any of which could have an adverse effect on our business.

*We have operations in China, which exposes us to risks inherent in doing business in that country.*

Operating in China exposes us to political, legal, and economic risks. In particular, the political, legal, and economic climate in China, both nationally and regionally, is fluid and unpredictable. Our ability to operate in China may be adversely affected by changes in U.S. and Chinese laws and regulations such as those related to, among other things, taxation, import and export tariffs, intellectual property, currency controls, network security, employee benefits, and other matters. In addition, we or third parties with whom we contract, may not obtain or retain the requisite legal permits to continue to operate in China, and costs or operational limitations may be imposed in connection with obtaining and complying with such permits. In other cases, we may be forced to expend a significant amount of resources to obtain the requisite legal permits or otherwise be required to forfeit such permits. Moreover, the Chinese government may impose additional regulations regarding our business. The government may regulate or apply a substantially different set of requirements to our business than anticipated, in which case we may need to invest a significant amount of resources and time before we can operate in the country. Any of these events may materially and adversely affect our business, financial condition, and results of operations. In addition, Chinese trade regulations are in a state of flux, and we may become subject to other forms of taxation, tariffs, and duties in China. Furthermore, third parties that we rely on in China may disclose our confidential information or intellectual property to competitors or third parties, which could result in the illegal distribution and sale of counterfeit versions of our products. If any of these events occur, our business, financial condition, and results of operations could be materially and adversely affected.

*The Company's use of accounting estimates involves judgment and could impact our financial results.*

Our most critical accounting estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations found in Item 7 of this report under the section entitled, *Use of Estimates and Critical Accounting Policies*. In addition, as discussed in various footnotes to our financial statements as found in Item 8, we make certain estimates for loss contingencies, including decisions related to legal proceedings and reserves. Because, by definition, these estimates and assumptions involve the use of judgment, our actual financial results may differ from these estimates. If our estimates or assumptions underlying such contingencies and reserves prove incorrect, we may be required to record additional adjustments or losses relating to such matters, which would negatively affect our financial results.

*Ineffective internal controls could impact our business and operating results.*

Our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and operating results may be harmed and we could fail to meet our financial reporting obligations.

*Extreme weather conditions and natural disasters could negatively impact our operating results and financial condition.*

Extreme weather conditions in the areas in which our suppliers, customers, distribution facilities, offices, and headquarters are located could adversely affect our operating results and financial condition. Moreover, natural disasters such as earthquakes, hurricanes, wildfires, and tsunamis, whether occurring in the United States or abroad, and their related consequences and effects, including energy shortages and public health issues, have in the past temporarily disrupted, and could in the future disrupt, our operations, the operations of our customers, vendors, and suppliers or have in the past resulted in, and in the future could result in, economic instability that may negatively impact our operating results and financial condition. In particular, if a natural disaster or severe weather event were to occur in an area in which we or our suppliers, customers, distribution facilities, and vendors are located, our continued success would depend, in part, on the safety and availability of the relevant personnel and facilities and proper functioning of our or third parties' computer, network, telecommunication, and other systems and operations. If we were to experience a local or regional disaster or other business continuity event or concurrent events, we could experience operational challenges, in particular depending upon how a local or regional event may affect our human capital across our operations or with regard to particular aspects of our operations, such as key executive officers or personnel. Further, if we are unable to find alternative suppliers, replace capacity at key distribution locations, or quickly repair damage to our information technology systems, our ability to serve our customers could be adversely affected. These events could result in reputational damage, lost sales, cancellation charges, or markdowns, all of which could have an adverse effect on our business, results of operations, and financial condition.

*The impacts of climate change and related regulatory responses could adversely affect our business.*

Sustainability and protecting our natural environment are significant priorities at Franklin Covey and we strive to implement practices and policies that support this concern. We recognize that there are inherent climate-related risks wherever business is conducted; however, we cannot predict the long-term impacts on us from climate change or related regulatory responses. We expect to face increasing regulations relating to climate change, including, for example, disclosure of the impacts of climate change on our business. A failure to uphold or make strides toward achieving publicly stated climate goals may harm the Company's reputation with customers, suppliers, and employees. This increased scrutiny will likely require us to expend significant resources and could adversely affect our results of operations and financial condition. Additionally, we expect that the complexity of compliance with climate disclosure regulations will increase as various countries take different approaches to such regulation. We will continue to monitor the impacts of these issues on our business and consider responsive action as needed.

Further, climate change may increase both the frequency and severity of extreme weather conditions and natural disasters, which may affect our business operations, either in a particular region or globally, as well as the activities of our vendors, suppliers, and customers. For example, the delivery of our services is dependent on reliable and relatively inexpensive electricity. If electricity is not readily available or affordable, we may not be able to deliver our products and services and our operating results may be adversely impacted. In addition, the physical changes prompted by climate change could result in changes in regulations or consumer preferences, which could in turn affect our business, operating results, and financial condition.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 1C. CYBERSECURITY

Cybersecurity risk management is a key component of our overall risk management efforts at Franklin Covey. We have implemented a layered cybersecurity program to assess, identify, and manage risks from cybersecurity threats that may have material effects on the confidentiality, integrity, and availability of our information systems, networks, and offerings. Cybersecurity risk is addressed at both management and Board of Director levels as described below.

*Management's Role in Assessing Cybersecurity Risk and Directing Strategy*

At the management level, primary responsibility for assessing and managing cybersecurity threats and material risks rests with our Chief Information Officer (CIO), who reports directly to our Executive Vice-President of Operations. Our CIO has over two decades of experience in information technology and cybersecurity and is a Certified Information Systems Security Professional (CISSP). The CIO leads a team of five other information system professionals, three of whom also have CISSP credentials. Our CIO and cybersecurity team are responsible for understanding, managing, and communicating cybersecurity risk to our management and works with our legal department to oversee compliance with various legal, regulatory, and contractual cybersecurity requirements.

Our cybersecurity program is aligned with the National Institute of Standards and Technology (NIST) 800 Cybersecurity Framework and uses a layered strategy, relying on technology and human processes to safeguard our systems and client data. Our cybersecurity strategy utilizes numerous layers of security controls, processes, and procedures across our information systems and networks, including but not limited to, multi-factor authentication, identity access management, endpoint security, mobile security, application security, network security, web security, and encryption. We also use systems and processes designed to reduce the impact of a security incident at a third-party vendor or customer. Additionally, we use processes to oversee and identify material risks from cybersecurity threats associated with our use of third-party technology and systems, including technology and systems we use for encryption and authentication; employee email; content delivery to customers; back-office support and operations; and other functions. The Company provides ongoing mandatory cybersecurity training for associates that is intended to help them understand cybersecurity risks and comply with our cybersecurity policies.

We engage third party professionals to assess our cybersecurity program and to perform audits of portions of our cybersecurity control environment based on risk or where necessary to ensure regulatory compliance. In addition, our internal audit function regularly meets with the cybersecurity team and is implementing a program to periodically test the control framework and operation of our cybersecurity incident response plan. The results of these tests will be presented directly to the Audit Committee of the Board of Directors.

The cybersecurity team meets frequently to monitor the prevention, detection, mitigation, and remediation of cybersecurity threats and incidents. In the event of a cybersecurity incident, we have developed an incident response plan which is designed to “respond, restore, and resume” operation of our information systems and platforms. Our incident response plan also governs our immediate response to attacks, including detection, notification, escalation, assessment, and remediation efforts. The cybersecurity team routinely tests the incident response plan across the organization to validate the procedures for appropriately assessing and escalating risks and incidents. Our cybersecurity team may also coordinate its incident response efforts with external advisors and key stakeholders if necessary.

*Board of Director Oversight*

The Audit Committee of the Board of Directors has the primary responsibility for cybersecurity risk oversight, including risk priorities, resource allocation, and oversight structures. The Audit Committee and Board of Directors receive regular reports from the CIO on a variety of topics including cybersecurity strategy, the threat landscape, recent developments and trends, and key initiatives. Our incident response plan includes documented protocols which govern established reporting thresholds for escalating cybersecurity incidents within the Company and where appropriate, to the Audit Committee or full Board of Directors.

*Cybersecurity Risks, Threats, and Incidents*

While we have not experienced any material cybersecurity incidents, there can be no guarantee that we, or any third parties with which we interact, will not be the subject of future successful attacks, threats, or incidents. We rely significantly on information technology for the operation of our business, including our All Access Pass and *Leader in Me* portals. For more information on cybersecurity risks we face, refer to Part I, Item 1A *Risk Factors* under the section entitled *Cybersecurity and Information Technology Risks*, which should be read in conjunction with the information presented in this Item 1C.

## ITEM 2. PROPERTIES

As of August 31, 2024, our principal executive offices in Salt Lake City, Utah occupy approximately 54,000 square feet of leased office space that is accounted for as a financing obligation, which expires in June 2025. This facility accommodates our executive team and corporate administration, as well as other professionals. The corporate headquarters is utilized by personnel in both our Enterprise and Education Divisions. The master lease agreement on our principal executive offices contains six five-year renewal options that may be exercised at our discretion. Additionally, we occupy leased sales and administrative offices both in the United States and various countries around the world as shown below. These additional facilities are accounted for as operating leases.

We consider our existing facilities to be in good condition and suitable for our current and expected level of operations in the upcoming fiscal year and in future periods. Our international sales offices are in the following locations:

Banbury, England
Tokyo, Japan
China: Beijing, Shanghai, Guangzhou, and Shenzhen

## ITEM 3. LEGAL PROCEEDINGS

From time to time, we are the subject of certain legal actions, which we consider routine to our business activities. At August 31, 2024, we were not party to any litigation or legal proceeding that, in the current opinion of management, could have a material adverse effect on our financial position, liquidity, or results of operations. However, due to the risks and uncertainties inherent in legal proceedings, actual results could differ from current expectations.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed and traded on the NYSE under the symbol "FC."

We did not pay or declare dividends on our common stock during the fiscal years ended August 31, 2024 or 2023. Any determination to pay cash dividends will be at the discretion of our Board of Directors and will be dependent upon our results of operations, financial condition, terms of our financing arrangements, and such other factors as the Board of Directors deems relevant. We currently anticipate that we will retain all available funds to finance future growth and business opportunities, repay our debt obligations, and to repurchase outstanding shares of our common stock.

As of October 31, 2024, we had 13,184,271 shares of common stock outstanding, which were held by 438 shareholders of record. A number of our shareholders hold their shares in street name; therefore, we believe that there are substantially more beneficial owners of our common stock.

***Purchases of Common Stock***

The following table summarizes the purchases of our common stock during our fourth fiscal quarter, which ended August 31, 2024:

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs[1] (in thousands) |
|---|---|---|---|---|
| June 1, 2024 to June 30, 2024 | - | $ - | - | $ 50,000 |
| July 1, 2024 to July 31, 2024 | 127,252 | $ 40.00 | 127,252 | $ 45,095 |
| August 1, 2024 to August 31, 2024 | - | $ - | - | $ 45,095 |
| Total Common Shares | 127,252 | $ 40.00 | 127,252 | |

(1) On April 18, 2024, our Board of Directors approved a new plan to purchase up to $50.0 million of our outstanding common stock. The previously existing common stock purchase plan, which was nearly fully utilized, was canceled, and the new common share purchase plan does not have an expiration date. The actual timing, number, and value of common shares purchased under our board-approved plan will be determined at our discretion and will depend on a number of factors, including, among others, general market and business conditions, the trading price of common shares, and applicable legal requirements. We have no obligation to purchase any common shares under the authorization, and the purchase plan may be suspended, discontinued, or modified at any time for any reason. Amounts shown in the table include the applicable 1% excise tax on our purchases of common stock for treasury.

***Performance Graph***

The following graph demonstrates a five-year comparison of cumulative total returns for Franklin Covey Co. common stock, the S&P SmallCap 600 Index, and the S&P 600 Commercial & Professional Services Index. The graph assumes an investment of $100 on August 31, 2019 in each of our common stock, the stocks comprising the S&P SmallCap 600 Index, and the stocks comprising the S&P 600 Commercial & Professional Services Index. Each of the indices assumes that all dividends were reinvested.

The stock performance shown on the performance graph above is not necessarily indicative of future performance. The Company will not make or endorse any predictions as to our future stock performance.

The performance graph above is being furnished solely to accompany this Annual Report on Form 10-K pursuant to Item 201(e) of Regulation S-K, and is not being filed for purposes of Section 18 of the Exchange Act, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**ITEM 6.**

Reserved.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (Management's Discussion and Analysis) is intended to provide a summary of the principal factors affecting the results of operations, liquidity and capital resources, and the critical accounting estimates of Franklin Covey Co. (also referred to as we, us, our, the Company, FranklinCovey, and Franklin Covey) and subsidiaries. This discussion and analysis should be read together with the accompanying consolidated financial statements and related notes contained in Item 8 of this Annual Report on Form 10-K and the Risk Factors discussed in Item 1A of this Annual Report on Form 10-K. Forward-looking statements in this discussion are qualified by the cautionary statement under the heading "Safe Harbor Statement Under the Private Securities Litigation Reform Act Of 1995" contained later in Item 7 of this Annual Report on Form 10-K.

***Non-GAAP Measures***

This Management's Discussion and Analysis includes the concepts of adjusted earnings before interest, income taxes, depreciation, and amortization (Adjusted EBITDA) and "constant currency," which are non-GAAP measures. We define Adjusted EBITDA as net income or loss excluding the impact of interest, income taxes, intangible asset amortization, depreciation, stock-based compensation expense, and certain other items such as restructuring costs and impaired asset charges. Constant currency is a non-GAAP financial measure that removes the impact of fluctuations in foreign currency exchange rates and is calculated by translating the current period's financial results at the same average exchange rates in effect during the prior year and then comparing this amount to the prior year.

We reference these non-GAAP financial measures in our decision making because they provide supplemental information that facilitates consistent internal comparisons to the historical operating performance of prior periods and we believe it provides investors with greater transparency to evaluate operational activities and financial results. For a reconciliation of our segment Adjusted EBITDA to net income, a related GAAP measure, please refer to Note 16 *Segment Information* to our consolidated financial statements as presented in Item 8 of this Annual Report on Form 10-K.

**EXECUTIVE SUMMARY**

***General Overview***

Franklin Covey Co. is a global company focused on individual and organizational performance improvement. Our mission is to "enable greatness in people and organizations everywhere," and our worldwide resources are organized to help individuals and organizations achieve sustained superior performance at scale through changes in human behavior. We believe that our content and services create the connection between capabilities and results. In the training and consulting marketplace, we believe there are three important characteristics that distinguish us from our competitors.

1. ***World Class Content*** – Our content is based on timeless principles of human effectiveness and is designed to help people change both their mindset and behavior. When our content is applied consistently in an organization, we believe the culture of that organization will change and improve to enable the organization to get desired results and achieve its own great purposes.

2. ***Breadth and Scalability of Delivery Options*** – We have a wide range of content delivery options, including: the All Access Pass and *Leader in Me* membership subscriptions, intellectual property licenses, digital online learning, on-site training, training led through certified facilitators, blended learning, and organization-wide transformational processes, including consulting and coaching. We believe our investments in digital delivery modalities over the past few years have enabled us to deliver our content to clients in a high-quality learning environment whether those clients are working remotely or in a centralized location.

3. ***Global Capability*** – We have sales professionals in the United States and Canada who serve clients in the private sector, in government, and in educational institutions; wholly owned subsidiaries that serve clients in Australia, New Zealand, China, Japan, the United Kingdom, Ireland, Germany, Switzerland, and Austria; and we contract with independent licensee partners who deliver our content and provide services in approximately 150 countries and territories around the world. Our capabilities allow us to serve a wide range of clients from small locally owned entities to large multinational enterprises.

We have some of the best-known offerings in the training industry, including a suite of individual-effectiveness and leadership-development training content based on the best-selling books, *The 7 Habits of Highly Effective People*, *The Speed of Trust*, *Multipliers*, *The 4 Disciplines of Execution*, and *Trust & Inspire*, and proprietary content in the areas of Execution, Sales Performance, Productivity, Customer Loyalty, Leadership, and Education. We believe that our offerings help individuals, teams, and entire organizations transform their results through achieving systematic, sustainable, and measurable changes in human behavior. Our offerings are described in further detail at www.franklincovey.com. The information contained in, or that can be accessed through, our website does not constitute a part of this Annual Report on Form 10-K, and the descriptions found therein should not be viewed as a warranty or guarantee of results.

Our fiscal year ends on August 31, and unless otherwise indicated, fiscal 2024, fiscal 2023, and fiscal 2022 refer to the twelve-month periods ended August 31, 2024, 2023, 2022, and so forth.

***Key Strategic Objectives***

The theme of our fiscal 2025 Company kickoff was, "Honoring Our Legacy, Creating Our Future." This phrase provides the framework for our overall strategy and key objectives as we seek to leverage our time-tested, principle-based content which has been developed and refined over many years while accelerating the growth of our business in the future to impact more people and organizations throughout the world. Building on the success of our subscription-based business model, we believe there are four key priorities in fiscal 2025 that will drive our strategic initiatives, impact our investment decisions, and provide a foundation for accelerated growth in the future. These strategic objectives consist of the following:

***Transform How We Go to Market*** –In order to reach more individuals and organizations, we seek to become more effective in getting our solutions into the world. The way we market and sell is expected to support landing new clients and expanding existing clients at higher rates than ever before. Starting in fiscal 2024, we launched a series of initiatives designed to reinvent how we market and sell our offerings. This process started with the hiring of a new Chief Revenue Officer, who is in the process of reorganizing our domestic sales force to reach and obtain more clients faster and more efficiently than ever before. We intend to invest approximately $16 million in fiscal 2025 to reorganize our sales force, hire new sales and marketing associates, and implement the new selling strategy. These efforts may have a short-term adverse impact to our financial results in fiscal 2025 as we invest and the initiatives are implemented, but the new selling strategy is expected to create the foundation for sustainable accelerated revenue and earnings growth in future periods.

***Be the Partner of Choice to Leaders*** – We intend to focus more intensely on being the partner of choice to leaders who need collective action to achieve their most important outcomes. High-trust cultures are built on the foundation of impactful leaders and effective individuals who use a common language, or rigorous execution system to achieve their most important goals. Our time-tested principle-based leadership and effectiveness content provides the foundation for leaders to develop their leadership abilities and to improve the effectiveness of their associates, which leads to an entity that achieves results. We seek to be the trusted partner of choice to leaders regardless of their industry, market, or company size.

***Build Best-in-Class Solutions*** – We are fortunate to have durable principle-based content as the foundation of our offerings. In fiscal 2025 and in the future, we will seek to create blockbuster solutions to address our clients' most important challenges, while combining content, people, and technology to drive meaningful results. Over the years we have invested millions of dollars in people, content, and technology to build the capabilities to dramatically increase the impact and scale of our solutions. In fiscal 2025 and future periods, we expect to offer new and refreshed content and solutions, including a significantly refreshed *The 7 Habits of Highly Effective People* offering (early fiscal 2025) and new material for our *Leader in Me* program; make continued investments in our Impact Platform to continuously improve the user experience and to build-in new technology; and work to integrate content, client personnel, and technology in a manner that will help our clients build winning cultures. We consistently seek to provide our clients world-class solutions, using the best technology, that will allow them to transform their organizations into high-performing entities.

***Enable High Performance*** – We seek to enable each associate to be a high-performing achiever with heart, equipped with the right knowledge, skills, and tools. We also seek to establish a high bar for performance combined with the resources and leadership to help associates succeed in their role. We strive to maintain a culture that provides a great place to work and allows individuals to contribute their best talents and abilities while requiring a high level of performance. We believe a high-performance, people-friendly atmosphere produces better solutions for our clients and feelings of well-being and satisfaction for our associates.

We believe the pursuit of these strategic priorities will enable us to make more progress toward our mission of enabling greatness in both people and organizations and our vision to impact billions. In addition, we believe that successful implementation of these objectives will provide our associates with additional resources and opportunities for growth and impact in the future and will drive results that will provide return to our shareholders.

Other key factors that influence our operating results include: the number of organizations that are active customers; the number of people trained within those organizations; the continuation or renewal of existing services contracts, especially subscription renewals; the availability of budgeted training spending at our clients and prospective clients, which, in certain content categories, can be significantly influenced by general economic conditions; client satisfaction with our offerings and services; the number and productivity of our international licensee operations; and our ability to manage operating costs necessary to develop and provide meaningful offerings and related products to our clients.

***Fiscal 2024 Financial Overview***

Our fiscal 2024 results were strong and featured increased revenues, improved operating and net income, increased Adjusted EBITDA, and increased cash flows from operating activities. We believe that our financial results in fiscal 2024 reflect the strength and durability of our subscription-based business model which is driven by 1) our clients' mission critical challenges, which are typically more intense during periods of economic uncertainty; 2) our effective solutions for helping clients successfully address these challenges, which can be flexibly utilized to meet each organization's needs; and 3) our strength in acquiring, retaining, and expanding meaningful client relationships.

Our consolidated revenue for fiscal 2024 increased $6.7 million to a new annual sales record of $287.2 million compared with $280.5 million in fiscal 2023. In constant currency, our consolidated sales grew to $288.2 million for fiscal 2024. Revenue growth in fiscal 2024 was primarily attributable to increased subscription and subscription services in both of our Enterprise and Education Divisions and increased classroom materials sales in our Education Division. Revenue growth in fiscal 2024 was the result of a combination of contract renewals, expansions, new customers, and price increases. Other revenue information for fiscal 2024 includes the following:

Enterprise Division revenue in fiscal 2024 grew 2% to $208.8 million compared with $205.7 million in fiscal 2023. Increased AAP subscription and subscription services revenues through our direct offices were partially offset by decreased revenue at our China office and decreased international licensee royalties. All Access Pass plus subscription services grew 4% to $164.8 million in fiscal 2024 compared with $158.0 million in the prior year. In constant currency, Enterprise Division sales were $209.8 million in fiscal 2024.

For the fiscal year ended August 31, 2024, Education Division revenue increased 5% to $73.5 million compared with $69.7 million in fiscal 2023. Education Division revenue growth for the year was driven by increased revenues from classroom and training materials, membership subscriptions, and coaching and consulting. Delivery of training and coaching days remained strong during fiscal 2024, as the Education Division delivered nearly 400 more training and coaching days than the prior year. In fiscal 2024, the Education Division added 728 new *Leader in Me* schools in the United States and Canada. Year-over-year *Leader in Me* school retention remained high during fiscal 2024 at approximately 84%.

At August 31, 2024, we had $107.9 million of deferred subscription revenue compared with $99.0 million at August 31, 2023. Our deferred subscription revenue noted above at August 31, 2024 and August 31, 2023 includes $6.7 million and $3.7 million, respectively, of deferred subscription revenue that was classified as long-term based on expected recognition. Our unbilled deferred revenue at August 31, 2024 was $75.2 million compared with $87.4 million at the end of fiscal 2023. Unbilled deferred revenue represents business that is contracted, but unbilled and therefore excluded from our balance sheet.

The following table sets forth our consolidated revenue by division and by reportable segment for the fiscal years indicated (in thousands):

| YEAR ENDED AUGUST 31, | 2024 | % Change | 2023 | % Change | 2022 |
|---|---|---|---|---|---|
| Enterprise Division: | | | | | |
| Direct offices | $ 197,610 | 2 | $ 194,021 | 6 | $ 183,845 |
| International licensees | 11,229 | (4) | 11,645 | 10 | 10,551 |
| | 208,839 | 2 | 205,666 | 6 | 194,396 |
| Education Division | 73,519 | 5 | 69,736 | 13 | 61,852 |
| Corporate and other | 4,875 | (5) | 5,119 | (22) | 6,593 |
| Consolidated revenue | $ 287,233 | 2 | $ 280,521 | 7 | $ 262,841 |

Gross profit consists of net revenue less the cost of services provided or the cost of goods sold. Our cost of revenue includes the direct costs of delivering content onsite at client locations, including presenter costs; amortization of previously capitalized curriculum development costs; content royalties; materials used in the production of training products and related assessments; manufacturing labor costs; and freight. Gross profit may be affected by, among other things, the mix of services sold to clients, prices of materials, travel, labor rates, changes in product discount levels, and freight costs. Our consolidated cost of revenue in fiscal 2024 totaled $66.2 million compared with $67.0 million in fiscal 2023. Consolidated gross profit for the fiscal year ended August 31, 2024 increased $7.6 million to $221.1 million, compared with $213.5 million in fiscal 2023, and increased primarily due to higher revenue as described above. Our gross margin in fiscal 2024 remained strong and increased to 77.0% compared with 76.1% in the prior year.

Our operating expenses in fiscal 2024 increased $0.9 million compared with the prior year due to $3.0 million of restructuring costs and a $0.9 million impaired asset charge. These increases were partially offset by decreased selling, general, and administrative (SG&A) expenses, reduced depreciation expense, and decreased amortization expense. As a percentage of revenue, our SG&A expenses decreased to 61.3% in fiscal 2024 compared with 63.4% in fiscal 2023. During fiscal 2024, we restructured various areas of our operations, including our sales force, and incurred $3.0 million of expense, primarily from severance benefits for associates who were impacted by the restructuring initiatives. We also impaired a student leadership assessment which was being developed for our Education Division. Due to societal changes in perception regarding the collection of student information and potential legal challenges, we determined that it was in the best interest of the Company to suspend further development of the student leadership assessment and impair the associated asset. Decreased SG&A expenses were primarily due to reduced headcount from restructuring activities initiated in fiscal 2024 and various cost cutting measures introduced during the fiscal year.

Despite the impact of restructuring and impaired asset costs, our fiscal 2024 income from operations improved 25% to $33.0 million compared with $26.4 million in fiscal 2023. Fiscal 2024 pre-tax income increased 28%, or $7.2 million, to $33.0 million compared with $25.9 million in the prior year, reflecting less interest expense and the other financial metrics noted above.

Our effective income tax rate for fiscal 2024 was approximately 29% compared with an effective income tax rate of approximately 31% in fiscal 2023. Our effective tax rate for fiscal 2024 was higher than the statutory tax rate primarily due to non-deductible executive compensation and an increase in the valuation allowance against our deferred income tax assets, which were partially offset by benefits for share-based compensation deductions in excess of the corresponding book expense and the tax differential on income subject to both U.S. and foreign taxes. Our effective rate in fiscal 2023 was higher than statutory rates primarily due to tax expense from non-deductible executive compensation.

Net income for the year ended August 31, 2024 was $23.4 million, or $1.74 per diluted share, compared with $17.8 million, or $1.24 per diluted share, for fiscal 2023. Our Adjusted EBITDA for fiscal 2024 increased 15% to $55.3 million compared with $48.1 million in the prior year, reflecting the above-noted factors. In constant currency, our Adjusted EBITDA for fiscal 2024 was $55.8 million.

Further details regarding these items can be found in the comparative analysis of fiscal 2024 with fiscal 2023 as discussed within this Management's Discussion and Analysis.

Our liquidity, financial position, and capital resources remained strong throughout fiscal 2024. At August 31, 2024, we had $48.7 million of cash, with no borrowings on our $62.5 million revolving credit facility, even after spending $30.7 million on purchases of our common stock during fiscal 2024. At August 31, 2023 we had $38.2 million of cash, and no borrowings on our revolving credit facility. Cash flows from operating activities remained strong and increased 69% to $60.3 million in fiscal 2024 compared with $35.7 million in fiscal 2023. For further information regarding our liquidity and cash flows, refer to the Liquidity and Capital Resources discussion found within this Management's Discussion and Analysis.

For a discussion of the results of operations and changes in financial condition for fiscal 2023 compared with fiscal 2022, refer to Part II, Item 7 *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our fiscal 2023 Form 10-K, which was filed with the SEC on November 13, 2023.

***Results of Operations***

The following table sets forth, for the fiscal years indicated, the percentage of total sales represented by the line items through income before income taxes in our consolidated income statements. This table should be read in conjunction with the accompanying discussion and analysis, the consolidated financial statements, and the related notes to the consolidated financial statements (amounts in percentages).

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Revenue | 100.0 | 100.0 | 100.0 |
| Cost of revenue | 23.0 | 23.9 | 23.2 |
| Gross profit | 77.0 | 76.1 | 76.8 |
| | | | |
| Selling, general, and administrative | 61.3 | 63.4 | 64.0 |
| Restructuring costs | 1.0 | 0.2 | - |
| Impaired asset | 0.3 | - | - |
| Depreciation | 1.4 | 1.5 | 1.9 |
| Amortization | 1.5 | 1.6 | 2.0 |
| Total operating expenses | 65.5 | 66.7 | 67.9 |
| Income from operations | 11.5 | 9.4 | 8.9 |
| Interest income | 0.4 | 0.4 | - |
| Interest expense | (0.4) | (0.6) | (0.6) |
| Income before income taxes | 11.5 | 9.2 | 8.4 |

## FISCAL 2024 COMPARED WITH FISCAL 2023 RESULTS OF OPERATIONS

### Enterprise Division

*Direct Offices Segment*

The Direct Office segment includes our sales personnel that serve clients in the United States and Canada; our directly owned international offices that serve clients in Japan, China, the United Kingdom, Ireland, Australia, New Zealand, Germany, Switzerland, and Austria; and other groups such as our government services office and books and audio sales. The following comparative information is for our Direct Offices segment for the periods indicated (in thousands):

| | Fiscal Year Ended August 31, 2024 | | % of Sales | Fiscal Year Ended August 31, 2023 | | % of Sales | Change | |
|---|---|---|---|---|---|---|---|---|
| Revenue | $ | 197,610 | 100.0 | $ | 194,021 | 100.0 | $ | 3,589 |
| Cost of revenue | | 35,180 | 17.8 | | 37,106 | 19.1 | | (1,926) |
| Gross profit | | 162,430 | 82.2 | | 156,915 | 80.9 | | 5,515 |
| SG&A expenses | | 112,054 | 56.7 | | 112,717 | 58.1 | | (663) |
| Adjusted EBITDA | $ | 50,376 | 25.5 | $ | 44,198 | 22.8 | $ | 6,178 |

For fiscal 2024, our Direct Office segment revenue grew 2% to $197.6 million compared with $194.0 million in fiscal 2023. During fiscal 2024, our AAP subscription revenue grew 7% to $106.3 million and our AAP subscription plus subscription services revenues grew 4% to $164.8 million compared with the prior year. During fiscal 2024, AAP subscription revenue retention levels remained strong and were greater than 90%. Increased subscription revenue growth in our Direct Offices during fiscal 2024 was partially offset by decreased legacy onsite presentation and add-on subscription services revenue in both the Company's domestic and international offices. However, the booking pace for subscription services strengthened in the second half of fiscal 2024 and we are confident that subscription service sales will improve in fiscal 2025. Foreign direct office sales in fiscal 2024 were adversely impacted by decreased revenue in our China operations and by weak economic conditions in many of the countries in which we operate. Fiscal 2024 revenue from our China office decreased by 24% compared with the prior year while the other international direct offices improved slightly compared with fiscal 2023. The fluctuation of foreign exchange rates had a $0.8 million adverse impact on our Direct Office revenue and a $0.4 million unfavorable impact on our Direct Office operating results in fiscal 2024.

*Gross Profit.* Gross profit increased primarily due to sales performance as previously described. Direct Office gross margin remained strong and increased to 82.2% of sales compared with 80.9% in the prior year. Our Direct Office gross margin improved primarily due to the mix of services and products sold to clients compared with the prior year.

*SG&A Expense.* Direct Office SG&A expense decreased primarily due to reduced associate costs resulting from decreased headcount compared with the prior year.

*International Licensees Segment*

In foreign locations where we do not have a directly owned office, our training and consulting services are delivered through independent licensees. The following comparative information is for our international licensee operations in the periods indicated (in thousands):

| | Fiscal Year Ended August 31, 2024 | | % of Sales | Fiscal Year Ended August 31, 2023 | | % of Sales | Change | |
|---|---|---|---|---|---|---|---|---|
| Revenue | $ | 11,229 | 100.0 | $ | 11,645 | 100.0 | $ | (416) |
| Cost of revenue | | 1,258 | 11.2 | | 1,138 | 9.8 | | 120 |
| Gross profit | | 9,971 | 88.8 | | 10,507 | 90.2 | | (536) |
| SG&A expenses | | 4,324 | 38.5 | | 4,633 | 39.8 | | (309) |
| Adjusted EBITDA | $ | 5,647 | 50.3 | $ | 5,874 | 50.4 | $ | (227) |

*Sales*. International licensee revenue is primarily comprised of royalties on sales of our content by the licensees. In fiscal 2024, our international licensees' revenue decreased by 4%, or $0.4 million, which was primarily due to a $0.3 million decrease in royalty revenues and a $0.1 million decrease in our share of AAP revenue. Licensee royalty revenue declined primarily due to economic challenges in many of the countries in which our licensees operate and staffing issues at some of the licensee operations. While we remain optimistic that our licensees' sales and our corresponding royalty revenues will grow in future periods, difficult macroeconomic conditions, such as slowing economic growth and regional conflicts may negatively impact our licensees' operations and reduce growth compared with our expectations. Foreign exchange rates had a $0.2 million adverse impact on international licensee revenues and operating results during fiscal 2024.

*Gross Profit*. Gross profit decreased primarily due to decreased revenue as previously described. Gross margin remained strong at 88.8% compared with 90.2% in the prior year and declined due to decreased royalty revenue compared with the prior year.

*SG&A Expense.* International licensee SG&A expenses decreased by $0.3 million compared with fiscal 2023 primarily due to reduced variable compensation on lower revenue and operating results, and efforts to reduce operating expenses in the international licensee segment that were initiated during fiscal 2024.

**Education Division**

Our Education Division is comprised of our domestic and international Education practice operations (focused on sales to educational institutions) and includes our widely acclaimed *Leader in Me* program. The following comparative information is for our Education Division in the periods indicated (in thousands):

| | Fiscal Year Ended August 31, 2024 | % of Sales | Fiscal Year Ended August 31, 2023 | % of Sales | Change |
|---|---|---|---|---|---|
| Revenue | $ 73,519 | 100.0 | $ 69,736 | 100.0 | $ 3,783 |
| Cost of revenue | 26,370 | 35.9 | 25,318 | 36.3 | 1,052 |
| Gross profit | 47,149 | 64.1 | 44,418 | 63.7 | 2,731 |
| SG&A expenses | 37,627 | 51.2 | 36,992 | 53.0 | 635 |
| Adjusted EBITDA | $ 9,522 | 13.0 | $ 7,426 | 10.6 | $ 2,096 |

*Sales.* Education Division revenue for the fiscal year ended August 31, 2024, increased 5%, or $3.8 million, compared with fiscal 2023. Fiscal 2024 growth was primarily driven by increased revenues from classroom and training materials, membership subscriptions, and coaching and consulting. Our classroom and training materials revenue increased due in part to a new initiative with a state that began in the third quarter, and which favorably impacted the second half of fiscal 2024. During fiscal 2024, we invoiced $9.5 million related to this new state-wide initiative, which included $2.2 million of classroom and other training materials. Training materials are recognized in revenue upon shipment of the product and total materials revenue increased 13% over fiscal 2023. Education subscription and subscription services revenues in fiscal 2024 increased 3% compared with fiscal 2023, and coaching and consulting revenue increased 2% compared with the prior year. The delivery of training and coaching days remained strong in fiscal 2024 as the Education Division delivered nearly 400 more training and coaching days than the prior year, which are recognized as revenue when they are delivered. We continue to be generally pleased with the strength and momentum of our Education Division, which added 728 new *Leader in Me* schools during fiscal 2024. As of August 31, 2024, the *Leader in Me* program is used in over 3,700 schools in the United States and Canada, compared with over 3,500 schools at the end of fiscal 2023.

*Gross Profit.* Education Division gross profit increased primarily due to increased revenue as previously described. Education segment gross margin remained strong and increased to 64.1% compared with 63.7% in the prior year and improved primarily due to increased margin on materials sold, decreased product amortization costs, and improved Symposium event margins during fiscal 2024.

*SG&A Expenses.* Education SG&A expenses increased primarily due to increased associate expenses from new personnel, changes to compensation plans, and increased commissions on higher revenue.

**Other Operating Expense Items**

***Depreciation –*** Depreciation expense decreased $0.4 million compared with the prior year primarily due to the full depreciation of certain assets during the fiscal year. We currently expect depreciation expense will total approximately $3.5 million in fiscal 2025.

***Amortization –*** Amortization expense decreased $0.1 million compared with fiscal 2023 due to the full amortization of certain intangible assets from previous business acquisitions. We currently expect intangible asset amortization expense will total $4.2 million during fiscal 2025.

***Interest Expense*** – Our interest expense for fiscal 2024 decreased $0.5 million primarily due to reduced term loan debt and a reduced principal balance on our financing obligation (long-term lease on our corporate campus) compared with the prior year.

**Income Taxes**

Our effective income tax expense rate for the fiscal year ended August 31, 2024 was approximately 29%, compared with an income tax expense rate of approximately 31% in fiscal 2023. Our effective income tax rate for fiscal 2024 was higher than the statutory tax rate primarily due to tax expense of $3.2 million for non-deductible executive compensation and a $1.2 million increase in the valuation allowance against our deferred income tax assets, which were partially offset by a $2.6 million benefit for share-based compensation deductions in excess of the corresponding book expense and a $0.5 million benefit in tax differential on income subject to both U.S. and foreign taxes. Our effective income tax rate for fiscal 2023 was higher than the statutory tax rate primarily due to tax expense of $0.9 million for non-deductible executive compensation and $0.4 million in tax differential on income subject to both U.S. and foreign taxes, which were partially offset by a $0.4 million decrease in the valuation allowance against our deferred income tax assets.

We paid $4.2 million in cash for income taxes during fiscal 2024. As of August 31, 2024, we have utilized all of our foreign tax credit forwards and nearly all of our net operating loss carryforwards. We anticipate our total cash paid for income taxes over the coming years to approximate our total income tax provision.

## LIQUIDITY AND CAPITAL RESOURCES

***Introduction***

Our cash at August 31, 2024 totaled $48.7 million, with no borrowings on our $62.5 million revolving credit facility. Of our $48.7 million of cash at August 31, 2024, $13.9 million was held outside the U.S. by our foreign subsidiaries. We routinely repatriate cash from our foreign subsidiaries and consider cash generated from foreign activities a key component of our overall liquidity position. Our primary sources of liquidity are cash flows from the sale of services and products in the normal course of business and available proceeds from our credit facility. Our primary uses of liquidity include payments for operating activities, purchases of our common stock, working capital expansion, capital expenditures (including curriculum development), debt payments, business acquisitions, and contingent payments from previous business acquisitions.

The following table summarizes our cash flows from operating, investing, and financing activities for the past three years (in thousands):

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Total cash provided by (used for): | | | |
| Operating activities | $ 60,257 | $ 35,738 | $ 52,254 |
| Investing activities | (11,310) | (13,550) | (5,331) |
| Financing activities | (38,655) | (44,179) | (32,670) |
| Effect of exchange rates on cash | 141 | (296) | (1,153) |
| Increase (decrease) in cash and cash equivalents | $ 10,433 | $ (22,287) | $ 13,100 |

***Our Current Credit Agreement***

On March 27, 2023, we entered into a new credit agreement (the 2023 Credit Agreement) with KeyBank National Association (KeyBank) leading a group of financial institutions (collectively, the Lenders), which replaced our previous credit agreement with JPMorgan Chase Bank, N.A. (the 2019 Credit Agreement). The 2023 Credit Agreement provides up to $70.0 million in total credit, of which $7.5 million was used to replace the outstanding term loan balance from the 2019 Credit Agreement. The remaining $62.5 million is available as a revolving line of credit or for future term loans. Principal payments on the term loans consisted of quarterly payments totaling $1.25 million that were due and payable on the last business day of each March, June, September, and December until the term loan obligation was repaid in the fourth quarter of fiscal 2024. We believe the 2023 Credit Agreement provides significant flexibility and financial resources to allow us to grow the business in future periods.

The 2023 Credit Agreement matures on March 27, 2028, and interest on term loan borrowings under the 2023 Credit Agreement was due and payable when the term loan principal payments were due and payable.  Interest on all other borrowings is due and payable on the last day of each month.  The interest rate for borrowings on the 2023 Credit Agreement is based on the Secured Overnight Financing Rate (SOFR) and is a tiered structure that varies according to the Leverage Ratio as defined 2023 Credit Agreement (refer to Note 5, *Secured Credit Agreement* to our consolidated financial statements for the interest rate structure).

As defined in the 2023 Credit Agreement, we are (i) required to maintain a Leverage Ratio of less than 3.00 to 1.00 and a Fixed Charge Coverage Ratio greater than 1.15 to 1.00; and (ii) we are restricted from making certain distributions to stockholders, including repurchases of common stock.  However, we are permitted to make distributions, including through purchases of outstanding common stock, provided that we are in compliance with the Leverage Ratio and Fixed Charge Coverage Ratio financial covenants before and after such distribution.  At August 31, 2024, we believe that we were in compliance with the terms and covenants contained in the 2023 Credit Agreement.

At August 31, 2024 our debt structure was relatively simple and consisted of notes payable to the former owners of Strive Talent, Inc., and a long-term lease on our corporate campus that is accounted for as a financing obligation.  For further information on our notes payable and leasing obligations, refer to the notes to our consolidated financial statements as presented in Item 8 of this Annual Report on Form 10-K.

The following discussion is a description of the primary factors affecting our cash flows and their effects upon our liquidity and capital resources during the fiscal year ended August 31, 2024.

***Cash Flows from Operating Activities***

Our primary source of cash from operating activities was the sale of services and products to our customers in the normal course of business.  Our primary uses of cash for operating activities were payments for SG&A expenses, payments for direct costs necessary to conduct training programs, to fund changes in working capital, and payments to suppliers for materials used in training manuals sold.  Our cash provided by operating activities during fiscal 2024 increased significantly to $60.3 million compared with $35.7 million in fiscal 2023.  The difference was primarily attributable to increased operating income and favorable changes in working capital during the year.  During fiscal 2024 our collection of accounts receivable remained strong and provided the necessary cash to support our operations, pay our obligations, and make critical investments.

***Cash Flows from Investing Activities and Capital Expenditures***

During fiscal 2024 our cash used for investing activities totaled $11.3 million.  Our primary uses of cash for investing activities consisted of additional investments in the development of our offerings and purchases of property and equipment in the normal course of business.

We spent $6.9 million on the development of our various offerings and related content in fiscal 2024.  We are expecting to launch new and significantly refurbished offerings in future periods, including a significantly refreshed version of our *The 7 Habits of Highly Effective People* offering in early fiscal 2025, and we believe continued investment in our offerings and content is key to future growth and the development of our subscription offerings.  We currently expect that our capital spending for curriculum development will total $9.3 million in fiscal 2025.

Our purchases of property and equipment in fiscal 2024 totaled $3.7 million and consisted primarily of computer software and hardware, and leasehold improvements on our corporate campus.  We currently anticipate that our purchases of property and equipment will total $5.3 million in fiscal 2025.

During the third quarter of fiscal 2024, we purchased the content rights for *The Teacher Believed in Me* (TBIM) for $1.5 million in cash.  We believe the content in TBIM is compelling and fits well in our *Leader in Me* offering.  While the author retains the copyright to TBIM, the agreement grants us broad rights for the development and use of TBIM content.  The content license was payable in two $0.8 million payments with the final payment due in January 2025.

***Cash Flows from Financing Activities***

Our net cash used for financing activities in fiscal 2024 totaled $38.7 million. Our primary use of financing cash was $30.7 million used to purchase shares of our common stock, including $10.3 million used for shares withheld for income taxes on stock-based compensation awards distributed during fiscal 2024 (refer to Note 10, *Shareholders' Equity*, to our consolidated financial statements). We also used $9.4 million of cash for principal payments on our notes payable and financing obligation during the fiscal year. Partially offsetting these uses of cash were $1.5 million of proceeds from our Employee Stock Purchase Plan participants to purchase shares of common stock during fiscal 2024.

On April 18, 2024, our Board of Directors approved a new plan to purchase up to $50.0 million of our outstanding common stock. The previously existing common stock purchase plan was canceled, and the new common share purchase plan does not have an expiration date.

Our uses of financing cash during fiscal 2025 are currently expected to include required payments on our notes payable and financing obligation and may include purchases of our common stock. However, the timing and amount of common stock purchases is dependent on a number of factors, including available resources, and we are not obligated to make purchases of our common stock during any future period.

***Sources of Cash and Liquidity***

We expect to meet the obligations on our notes payable, service our existing financing obligation, pay for projected capital expenditures, and meet other obligations in fiscal 2025 and beyond from current cash balances and future cash flows from operating activities. Going forward, we will continue to incur costs necessary for the day-to-day operation of the business and may use additional credit and other financing alternatives, if necessary, for these expenditures. During fiscal 2023 we entered into a new five-year credit agreement which we expect to renew and amend on a regular basis to maintain the long-term borrowing capacity of this credit facility. Additional potential sources of liquidity available to us include factoring receivables, issuance of additional equity, or issuance of debt to public or private sources. If necessary, we will evaluate all of these options and select one or more of them depending on overall capital needs and the associated cost of capital.

We believe that our existing cash and cash equivalents, cash generated by operating activities, and the availability of external funds as described above, will be sufficient for us to maintain our operations for at least the upcoming 12 months. However, our ability to maintain adequate capital for our operations in the future is dependent upon a number of factors, including sales trends, macroeconomic activity, our ability to contain costs, levels of capital expenditures, collection of accounts receivable, and other factors. Some of the factors that influence our operations are not within our control, such as general economic conditions and the introduction of new offerings or technology by our competitors. We will continue to monitor our liquidity position and may pursue additional financing alternatives, as described above, to maintain sufficient resources for future growth and capital requirements. However, there can be no assurance such financing alternatives will be available to us on acceptable terms, or at all.

***Material Cash Requirements***

We do not operate any manufacturing, mining, or other capital-intensive facilities, and we have not structured any special purpose entities, or participated in any commodity trading activities, which would expose us to potential undisclosed liabilities or create adverse consequences to our liquidity. However, we have cash expenditures and are subject to various contractual obligations that are required to run our business. Our material cash requirements include the following:

**Associate and Consultant Compensation** – Associate and consultant compensation is our largest recurring use of cash. Our compensation plans for associates and delivery consultants include fixed (salaried) and variable elements as well as the cost of benefits, and may fluctuate with sales, financial results, and hiring/retention activity. During fiscal 2024, we expensed approximately $169 million for associate and delivery consultant cash compensation. Associate compensation expense is included in SG&A expense and consultant compensation is included in our cost of revenue. Our associate costs include variable compensation such as commissions, incentives, and bonuses, and may fluctuate from year-to-year.

**Information Technology** – Our business is reliant on computer software and hardware. Our subscription service portals require ongoing development, recurring maintenance, security upgrades, and utilize various software applications. In addition, we utilize various software programs to run our business, including applications for customer resource management, general ledger, cybersecurity, spreadsheets, word processing, e-mail, etc. Including capitalized hardware and software, we spent approximately $10 million for information technology software and hardware during fiscal 2024.

**Content Development** – We believe that ongoing investment in our content and offerings is key to our future success. Our innovations group is responsible for the development of new content as well as refreshing and maintaining our existing content. Including capitalized development, we spent approximately $9 million (excluding innovation associate compensation discussed above) for the development and maintenance of our offerings and content in fiscal 2024.

**Income Taxes** – We are required to pay income taxes in the various jurisdictions where we operate. During fiscal 2024, we paid $4.2 million in cash for income taxes. We believe our use of cash for income taxes in future periods will more closely resemble our income tax provision and will fluctuate based on profitability as we have utilized most of our deferred tax assets as of August 31, 2024.

**Contractual Obligations** – In addition to the expenses described above, which we believe are required to successfully run our business, we have other longer-term contractual obligations, which require additional cash payments. We have summarized our significant contractual obligations at August 31, 2024 in the following table (in thousands):

| Description | Fiscal 2025 | Fiscal 2026 | Fiscal 2027 | Fiscal 2028 | Fiscal 2029 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Required lease payments on corporate campus | $ 3,301 | $ - | $ - | $ - | $ - | $ - | $ 3,301 |
| Strive contingent compensation[(1)] | 740 | 770 | - | - | - | - | 1,510 |
| Strive note payable | 835 | 835 | - | - | - | | 1,670 |
| Purchase obligations | 4,169 | - | - | - | - | - | 4,169 |
| Minimum operating lease payments | 568 | 409 | 255 | 7 | - | - | 1,239 |
| | $ 9,613 | $ 2,014 | $ 255 | $ 7 | $ - | $ - | $ 11,889 |

(1) The payment of contingent consideration resulting from prior business acquisitions is based on current estimates and projections. We reassess the fair value of estimated contingent consideration payments each quarter based on available information. The actual payment of contingent consideration amounts may differ in amount and timing from those shown in the table.

## CRITICAL ACCOUNTING ESTIMATES

Our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies that we used to prepare our consolidated financial statements are outlined primarily in Note 1 and in Note 2 (revenue recognition policies) to the consolidated financial statements, which are presented in Part II, Item 8 of this Annual Report on Form 10-K. Some of those accounting policies require us to make assumptions and use judgments that may affect the amounts reported in our consolidated financial statements. Management regularly evaluates its estimates and assumptions and bases those estimates and assumptions on historical experience, factors that are believed to be reasonable under the circumstances, and requirements under accounting principles generally accepted in the United States of America. Actual results may differ from these estimates under different assumptions or conditions, including changes in economic and political conditions and other circumstances that are not within our control, but which may have an impact on these estimates and our actual financial results.

The following items require the most significant judgment and often involve complex estimates:

***Revenue Recognition***

We account for revenue in accordance with Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. For the All Access Pass, judgment is required to determine whether the intellectual property and web-based functionality and content are considered distinct and accounted for separately, or not distinct and accounted for together.

We have determined to account for the AAP as a single performance obligation and recognize the associated transaction price ratably over the term of the underlying contract beginning on the commencement date of each contract, which is the date the Company's platforms and resources are made available to the customer. This determination was reached after considering that our web-based functionality and content, in combination with our intellectual property, each represent inputs that transform into a combined output that represents the intended outcome of the AAP, which is to provide a continuously accessible, customized, and dynamic learning and development solution only accessible through the AAP platform.

Judgment is required to determine the stand-alone selling price (SSP) for each distinct performance obligation in a revenue contract. Where we have more than one distinct performance obligation, we must allocate the transaction price to each performance obligation based on its relative SSP. The SSP is the price which we would sell a promised product or service separately to a customer. In determining the SSP, we consider the size and volume of transactions, price lists, historical sales, and contract prices. We may modify our pricing from time-to-time in the future, which could result in changes to the SSP.

***Stock-Based Compensation***

Our shareholders have approved a performance-based long-term incentive plan that provides for grants of stock-based performance awards to certain managerial personnel and executive management as directed by the Organization and Compensation Committee of the Board of Directors. Under the terms of some equity awards, the number of common shares that are vested and issued to participants is variable and is based upon the achievement of specified performance objectives during defined service periods. Due to the variable number of common shares that may be issued under some of our equity awards, we reevaluate our performance-award grants on a quarterly basis and adjust the number of shares expected to be awarded based upon actual and estimated financial results of the Company compared with the performance goals set for the award. Adjustments to the number of shares expected to vest, and to the corresponding compensation expense, are made on a cumulative basis at the adjustment date based upon the new estimated probable number of common shares to be awarded.

The analysis of our performance awards contains uncertainties because we are required to make assumptions and judgments about the timing and/or the eventual number of shares that will vest in each grant. The assumptions and judgments that are essential to the analysis include forecasted sales and operating income levels during the service periods. These forecasted amounts may be difficult to predict over the life of the awards due to changes in our business, such as from the introduction of subscription-based services, or other external factors, such as the recent pandemic, and their impact on our financial results. Events such as these may leave some previously approved performance measures obsolete or unattainable. The evaluation of performance awards and the corresponding use of estimated amounts may produce additional volatility in our consolidated financial statements as we record cumulative adjustments to the estimated service periods and/or number of common shares expected to vest as described above. For example, uncertainties associated with the impact of and expected recovery from the recent pandemic resulted in a significant reversal of previously recognized performance award stock-based compensation expense in the period of assessment.

***Accounts Receivable Valuation***

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Our allowance for credit losses calculation contains uncertainties because the calculation requires us to make assumptions and judgments regarding the collectability of customer accounts, which may be influenced by a number of factors that are not within our control, such as the financial health of each customer. We regularly review the collectability assumptions of our allowance for credit losses calculation and compare them against historical collections. Adjustments to the assumptions may either increase or decrease our total allowance for credit losses and may adversely impact our financial results. For example, a 10% increase to our allowance for credit losses at August 31, 2024 would decrease our reported income from operations by approximately $0.3 million.

For further information regarding the calculation of our allowance for credit losses, refer to the notes to our financial statements as presented in Item 8 of this Annual Report on Form 10-K.

***Valuation of Indefinite-Lived Intangible Assets and Goodwill***

Intangible assets that are deemed to have an indefinite life and goodwill balances are not amortized, but rather are tested for impairment on an annual basis, or more often if events or circumstances indicate that a potential impairment exists. The Covey trade name intangible asset originated from the merger with the Covey Leadership Center in 1997 and has been deemed to have an indefinite life. This intangible asset is quantitatively tested for impairment using the present value of estimated royalties on trade name related revenues, which consist primarily of training seminars and related products, and international licensee royalties.

Goodwill is recorded when the purchase price for a business acquisition exceeds the estimated fair value of the net tangible and identified intangible assets acquired. Under current accounting guidance, an annual or interim goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount, and an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value.

We tested goodwill for impairment at August 31, 2024 at the reporting unit level using a quantitative approach. Based on the results of this analysis, we determined that it was more likely than not that the fair value of each of our reporting units was more than their carrying values. This determination and the underlying valuation model required judgment to estimate future cash flows and operating results and considered current operating results, expected future operating results, and various other factors such as macroeconomic conditions. Some of these factors are not within our control.

On an interim basis, we consider whether events or circumstances are present that may lead to the determination that goodwill may be impaired. These circumstances include, but are not limited to, the following:

- significant underperformance relative to historical or projected future operating results;
- significant change in the manner of our use of acquired assets or the strategy for the overall business;
- significant change in prevailing interest rates;
- significant negative industry or economic trends;
- significant change in market capitalization relative to book value; and/or
- significant negative change in market multiples of the comparable company set.

If, based on events or changing circumstances, we determine it is more likely than not that the fair value of a reporting unit does not exceed its carrying value, we would be required to test goodwill for impairment.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions, and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable, but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units. The timing and frequency of our goodwill impairment tests are based on an ongoing assessment of events and circumstances that would indicate a possible impairment. Based on the results of our goodwill impairment analysis during fiscal 2024, we determined that no impairment existed at August 31, 2024, as we determined that it was more likely than not that each reportable operating segment's estimated fair value exceeded its carrying value.

***Impairment of Long-Lived Assets***

Long-lived tangible assets and finite-lived intangible assets are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We use an estimate of undiscounted future net cash flows of the assets over their remaining useful lives in determining whether the carrying value of the assets is recoverable. If the carrying values of the assets exceed the anticipated future cash flows of the assets, we calculate an impairment loss. The impairment loss calculation compares the carrying value of the asset to the asset's estimated fair value, which may be based upon discounted cash flows over the estimated remaining useful life of the asset. If we recognize an impairment loss, the adjusted carrying amount of the asset becomes its new cost basis, which is then depreciated or amortized over the remaining useful life of the asset. Impairment of long-lived assets is assessed at the lowest levels for which there are identifiable cash flows that are independent from other groups of assets.

Our impairment evaluation calculations contain uncertainties because they require us to make assumptions and apply judgment in order to estimate future cash flows, forecast the useful lives of the assets, and select a discount rate that reflects the risk inherent in future cash flows. Although we have not made any recent material changes to our long-lived assets impairment assessment methodology, if forecasts and assumptions used to support the carrying value of our long-lived tangible and finite-lived intangible assets change in the future, significant impairment charges could result that would adversely affect our results of operations and financial condition.

***Acquisitions and Contingent Consideration Liabilities***

We record acquisitions resulting in the consolidation of an enterprise using the purchase method of accounting. Under this method, the acquiring company records the assets acquired, including intangible assets that can be identified and named, and liabilities assumed based on their estimated fair values at the date of acquisition. The purchase price in excess of the fair value of the assets acquired and liabilities assumed is recorded as goodwill. If the assets acquired, net of liabilities assumed, are greater than the purchase price paid, then a bargain purchase has occurred and the Company will recognize the gain immediately in earnings. Among other sources of relevant information, we use independent appraisals or other valuations to assist in determining the estimated fair values of the assets and liabilities. Various assumptions are used in the determination of these estimated fair values including discount rates, market and volume growth rates, product or service selling prices, cost structures, royalty rates, and other prospective financial information.

Additionally, we are required to reassess the fair value of contingent consideration liabilities resulting from business acquisitions at each reporting period. Although subsequent changes to the contingent consideration liabilities do not affect the goodwill generated from the acquisition transaction, the valuation of expected contingent consideration often requires us to estimate future sales and/or profitability. These estimates require the use of numerous assumptions, many of which may change frequently and lead to increased or decreased operating income in future periods. For instance, during fiscal 2023 we recorded immaterial increases to the fair value of our contingent consideration liability compared with $0.1 million of net increases in fiscal 2022. We did not have any adjustments to the fair value of a contingent liability from a previous business acquisition in fiscal 2024. Business acquisitions in future periods may increase the volatility and amount of these charges. Changes to the fair value of contingent consideration liabilities are recorded as a component of SG&A expenses.

***Income Taxes***

We regularly evaluate our United States federal and various state and foreign jurisdiction income tax exposures. We account for certain aspects of our income tax provision using the provisions of ASC 740-10-05, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. We may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon final settlement. The provisions of ASC 740-10-05 also provide guidance on de-recognition, classification, interest, and penalties on income taxes, accounting for income taxes in interim periods, and require increased disclosure of various income tax items. Taxes and penalties are components of our overall income tax provision.

We record previously unrecognized tax benefits in the financial statements when it becomes more likely than not (greater than a 50% likelihood) that the tax position will be sustained. To assess the probability of sustaining a tax position, we consider all available evidence. In many instances, sufficient positive evidence may not be available until the expiration of the statute of limitations for audits by taxing jurisdictions, at which time the entire benefit will be recognized as a discrete item in the applicable period.

Our unrecognized tax benefits result from uncertain tax positions about which we are required to make assumptions and apply judgment to estimate the exposures associated with our various tax filing positions. The calculation of our income tax provision or benefit, as applicable, requires estimates of future taxable income or losses. During the course of the fiscal year, these estimates are compared to actual financial results and adjustments may be made to our tax provision or benefit to reflect these revised estimates. Our effective income tax rate is also affected by changes in tax law and the results of tax audits by various jurisdictions. Although we believe that our judgments and estimates discussed herein are reasonable, actual results could differ, and we could be exposed to losses or gains that could be material.

We establish valuation allowances for deferred tax assets when we estimate it is more likely than not that the tax assets will not be realized. The determination of whether valuation allowances are needed on our deferred income tax assets contains uncertainties because we must project future income, including the use of tax-planning strategies, by individual tax jurisdictions. Changes in industry and economic conditions and the competitive environment may impact the accuracy of our projections. We regularly assess the likelihood that our deferred tax assets will be realized and determine if adjustments to our valuation allowance are necessary. These evaluations may produce additional volatility in our tax provision or benefit, net income or loss, and earnings or loss per share.

**RECENT ACCOUNTING PRONOUNCEMENTS**

Refer to Note 1 to the consolidated financial statements for information on recent accounting pronouncements.

**REGULATORY COMPLIANCE**

We are registered in states in which we do business that have a sales tax and we collect and remit sales or use tax on sales made in these jurisdictions. Compliance with environmental laws and regulations (including new laws and regulations relating to climate change) has not had a material effect on our operations. We believe we are in compliance with applicable governmental regulations in the United States and the countries in which we operate.

**SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

Certain statements made by the Company in this report are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934 as amended (the Exchange Act). Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain words such as “believe,” “anticipate,” “expect,” “estimate,” “project,” or words or phrases of similar meaning. In our reports and filings we may make forward-looking statements regarding, among other things, our expectations about future sales levels and financial results, future training and consulting sales activity, expected benefits from restructuring plans and growth initiatives, anticipated renewals of subscription offerings, the impact of new accounting standards on our financial condition and results of operations, the amount and timing of capital expenditures, anticipated expenses, including SG&A expenses, depreciation, and amortization, future gross margins, the release of new services or products, the adequacy of existing capital resources, our ability to renew or extend our line of credit facility, the amount of cash expected to be paid for income taxes, our ability to maintain adequate capital for our operations for at least the upcoming 12 months, the seasonality of future sales, future compliance with the terms and conditions of our line of credit, the ability to borrow on our line of credit, expected collections of accounts receivable, estimated capital expenditures, and cash flow estimates used to determine the fair value of long-lived assets. These, and other forward-looking statements, are subject to certain risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. These risks and uncertainties are disclosed from time to time in reports filed by us with the SEC, including reports on Forms 8-K, 10-Q, and 10-K. Such risks and uncertainties include, but are not limited to, the matters discussed in Item 1A of this Annual Report on Form 10-K for the fiscal year ended August 31, 2024, entitled “Risk Factors.” In addition, such risks and uncertainties may include unanticipated developments in any one or more of the following areas: cybersecurity risks; unanticipated costs or capital expenditures; delays or unanticipated outcomes relating to our strategic plans and initiatives; dependence on existing products or services; the rate and consumer acceptance of new product introductions, including the All Access Pass and Impact Platform; competition; the impact of foreign exchange rates; the number and nature of customers and their product orders, including changes in the timing or mix of product or training orders; pricing of our products and services and those of competitors; adverse publicity; and other factors which may negatively affect our business.

The risks included here are not exhaustive. Other sections of this report may include additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors may emerge and it is not possible for our management to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any single factor, or combination of factors, may cause actual results to differ materially from those contained in forward-looking statements. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results.

The market price of our common stock has been and may remain volatile. Factors such as quarter-to-quarter variations in revenues and earnings or losses and our failure to meet expectations could have a significant impact on the market price of our common stock. In addition, the price of our common stock can change for reasons unrelated to our performance. Due to our relatively low market capitalization, the price of our common stock may also be affected by conditions such as a lack of analyst coverage and fewer potential investors.

Forward-looking statements are based on management’s expectations as of the date made, and the Company does not undertake any responsibility to update any of these statements in the future except as required by law. Actual future performance and results will differ and may differ materially from that contained in or suggested by forward-looking statements as a result of the factors set forth in this Management’s Discussion and Analysis and elsewhere in our filings with the SEC.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

***Market Risk of Financial Instruments***

We are exposed to financial instrument market risk primarily through fluctuations in foreign currency exchange rates and interest rates. To manage risks associated with foreign currency exchange and interest rates, we may make limited use of derivative financial instruments. Derivatives are financial instruments that derive their value from one or more underlying financial instruments. As a matter of policy, our derivative instruments are entered into for periods consistent with the related underlying exposures and do not constitute positions that are independent of those exposures. In addition, we do not enter into derivative contracts for trading or speculative purposes, nor are we party to any leveraged derivative instrument. During the fiscal years ended August 31, 2024, 2023, and 2022, we were not party to any foreign exchange contracts, interest rate swap agreements, or similar derivative instruments.

***Foreign Exchange Sensitivity***

Due to the global nature of our operations, we are subject to risks associated with transactions that are denominated in currencies other than the United States dollar, as well as the effects of translating amounts denominated in foreign currencies to United States dollars as a normal part of the reporting process. The objective of our foreign currency risk management activities is to reduce foreign currency risk in the consolidated financial statements. In order to manage foreign currency risks, we may make limited use of foreign currency forward contracts and other foreign currency related derivative instruments.

***Interest Rate Sensitivity***

At August 31, 2024, our long-term obligations primarily consisted of a long-term lease agreement (financing obligation) on our corporate headquarters facility, fixed-rate notes payable from the purchase of Strive Talent, Inc., and potential contingent consideration resulting from previous business acquisitions. Since most of our long-term obligations have a fixed interest rate, our overall interest rate sensitivity is primarily influenced by any amounts borrowed on our 2023 Credit Agreement. The effective interest rate on our line of credit facility is variable and was 6.9% at August 31, 2024. We did not have any borrowings against our available line of credit at August 31, 2024. However, if interest rates increase, and we borrow amounts on our 2023 Credit Agreement, we will incur additional interest expense on these variable-rate loans in future periods. Our financing obligation has a payment structure equivalent to a long-term leasing arrangement with a fixed interest rate of 7.7% and expires in June 2025.

## ITEM 8.  FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Franklin Covey Co.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Franklin Covey and subsidiaries (the "Company") as of August 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).  In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended August 31, 2024, of the Company and our report dated November 12, 2024, expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting.  Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.  We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB.  Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.  Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances.  We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.  A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.  Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Salt Lake City, Utah
November 12, 2024

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Franklin Covey Co.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Franklin Covey Co. and subsidiaries (the "Company") as of August 31, 2024 and 2023, the related consolidated income statements and statements of comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended August 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended August 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of August 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 12, 2024, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Revenue Recognition – Refer to Note 2 to the Financial Statements***

*Critical Audit Matter Description*

The Company recognizes revenue upon the transfer of control of promised products and services to customers in an amount equal to the consideration expected to be received in exchange for those products and services. The Company's *Leader in Me* subscription offering contracts often include promises to transfer multiple products or services to a customer that are considered distinct performance obligations that should be accounted for separately. The transaction price is allocated to each performance obligation on a relative standalone selling price (SSP) basis. The SSP is the price which the Company would sell a promised product or service separately to a customer. In determining the SSP, the Company considers the size and volume of transactions, price lists, historical sales, and contract prices.

Given the increased extent of audit effort in evaluating management's judgments in determining SSP, we identified the determination of SSP for the *Leader in Me* membership offerings as a critical audit matter.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the Company's determination of SSP for these performance obligations, included the following, among others:

We tested the effectiveness of internal controls over the determination of SSP.

We selected a sample of customer agreements and performed the following:

- Obtained and read customer contracts and invoices for each selection to evaluate if relevant contractual terms have been appropriately considered by management.
- Assessed the terms in the customer agreement and evaluated the appropriateness of management's application of their accounting policies, along with their use of estimates, in the determination of revenue recognition conclusions.
- Assessed the reasonableness of management's estimates of stand-alone selling prices for products and services and the allocation of the transaction price to identified performance obligations determined on a relative stand-alone selling basis.
- Tested the mathematical accuracy of management's calculations of revenue and the associated timing of revenue recognized in the financial statements.

/s/ Deloitte & Touche LLP

Salt Lake City, Utah
November 12, 2024

We have served as the Company's auditor since 2016.

FRANKLIN COVEY CO.
CONSOLIDATED BALANCE SHEETS

| AUGUST 31, | 2024 | 2023 |
|---|---|---|
| *In thousands, except per-share data* | | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 48,663 | $ 38,230 |
| Accounts receivable, less allowance for credit losses of $3,015 and $3,790 | 86,002 | 81,935 |
| Inventories | 4,002 | 4,213 |
| Prepaid expenses | 5,111 | 4,401 |
| Other current assets | 16,475 | 16,238 |
| Total current assets | 160,253 | 145,017 |
| | | |
| Property and equipment, net | 8,736 | 10,039 |
| Intangible assets, net | 37,766 | 40,511 |
| Goodwill | 31,220 | 31,220 |
| Deferred income tax assets | 870 | 1,661 |
| Other long-term assets | 22,694 | 17,471 |
| | **$ 261,539** | **$ 245,919** |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of notes payable | $ 835 | $ 5,835 |
| Current portion of financing obligation | 3,112 | 3,538 |
| Accounts payable | 7,862 | 6,501 |
| Deferred subscription revenue | 101,218 | 95,386 |
| Customer deposits | 16,972 | 12,137 |
| Accrued liabilities | 32,454 | 28,252 |
| Total current liabilities | 162,453 | 151,649 |
| | | |
| Notes payable, less current portion | 775 | 1,535 |
| Financing obligation, less current portion | 1,312 | 4,424 |
| Other liabilities | 10,732 | 7,617 |
| Deferred income tax liabilities | 3,132 | 2,040 |
| Total liabilities | 178,404 | 167,265 |
| | | |
| Commitments and contingencies (Note 9) | | |
| | | |
| Shareholders' equity: | | |
| Common stock, $.05 par value; 40,000 shares authorized, 27,056 shares issued | 1,353 | 1,353 |
| Additional paid-in capital | 231,813 | 232,373 |
| Retained earnings | 123,204 | 99,802 |
| Accumulated other comprehensive loss | (768) | (987) |
| Treasury stock at cost, 14,084 shares and 13,974 shares | (272,467) | (253,887) |
| Total shareholders' equity | 83,135 | 78,654 |
| | **$ 261,539** | **$ 245,919** |

*See accompanying notes to consolidated financial statements.*

FRANKLIN COVEY CO.
CONSOLIDATED INCOME STATEMENTS AND STATEMENTS OF COMPREHENSIVE INCOME

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| *In thousands, except per-share amounts* | | | |
| Revenue | $ 287,233 | $ 280,521 | $ 262,841 |
| Cost of revenue | 66,161 | 67,031 | 60,929 |
| Gross profit | 221,072 | 213,490 | 201,912 |
| Selling, general, and administrative | 175,941 | 177,951 | 168,069 |
| Restructuring costs | 3,008 | 565 | - |
| Impaired asset | 928 | - | - |
| Depreciation | 3,905 | 4,271 | 4,903 |
| Amortization | 4,248 | 4,342 | 5,266 |
| Income from operations | 33,042 | 26,361 | 23,674 |
| Interest income | 1,123 | 1,091 | 65 |
| Interest expense | (1,119) | (1,583) | (1,675) |
| Income before income taxes | 33,046 | 25,869 | 22,064 |
| Income tax provision | (9,644) | (8,088) | (3,634) |
| **Net income** | **$ 23,402** | **$ 17,781** | **$ 18,430** |
| Net income per share: | | | |
| Basic | $ 1.78 | $ 1.30 | $ 1.30 |
| Diluted | 1.74 | 1.24 | 1.27 |
| Weighted average number of common shares: | | | |
| Basic | 13,171 | 13,640 | 14,147 |
| Diluted | 13,472 | 14,299 | 14,555 |
| COMPREHENSIVE INCOME: | | | |
| Net income | $ 23,402 | $ 17,781 | $ 18,430 |
| Foreign currency translation adjustments, net of income tax benefit (provision) of $(11), $(80), and $176 | 219 | (445) | (1,251) |
| Comprehensive income | **$ 23,621** | **$ 17,336** | **$ 17,179** |

*See accompanying notes to consolidated financial statements.*

FRANKLIN COVEY CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| *In thousands* | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | $ 23,402 | $ 17,781 | $ 18,430 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 8,153 | 8,613 | 10,169 |
| Amortization of capitalized curriculum development costs | 3,172 | 3,084 | 3,354 |
| Deferred income taxes | 1,885 | 4,748 | 121 |
| Stock-based compensation expense | 10,142 | 12,520 | 8,286 |
| Impaired asset | 928 | - | - |
| Change in the fair value of contingent consideration liabilities | - | 7 | 68 |
| Amortization of right-of-use operating lease assets | 760 | 834 | 913 |
| Changes in assets and liabilities: | | | |
| Increase in accounts receivable, net | (3,759) | (9,452) | (2,406) |
| Decrease (increase) in inventories | 228 | (692) | (1,048) |
| Increase in prepaid expenses and other assets | (1,414) | (88) | (2,692) |
| Increase (decrease) in accounts payable and accrued liabilities | 403 | (9,541) | 4,358 |
| Increase in deferred revenue and customer deposits | 13,458 | 8,806 | 14,245 |
| Increase (decrease) in income taxes payable | 3,453 | (195) | 138 |
| Decrease in other liabilities | (554) | (687) | (1,682) |
| **Net cash provided by operating activities** | **60,257** | **35,738** | **52,254** |
| | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property and equipment | (3,694) | (4,515) | (3,177) |
| Capitalized curriculum development costs | (6,866) | (9,035) | (2,154) |
| Acquisition of content rights | (750) | - | - |
| **Net cash used for investing activities** | **(11,310)** | **(13,550)** | **(5,331)** |
| | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from term notes payable financing | - | 7,500 | - |
| Principal payments on notes payable | (5,835) | (13,335) | (5,835) |
| Principal payments on financing obligation | (3,538) | (3,199) | (2,887) |
| Purchases of common stock for treasury | (30,749) | (35,555) | (23,850) |
| Payment of contingent consideration liabilities | - | (736) | (1,434) |
| Cash paid for new secured credit agreement | - | (393) | - |
| Proceeds from sales of common stock held in treasury | 1,467 | 1,539 | 1,336 |
| **Net cash used for financing activities** | **(38,655)** | **(44,179)** | **(32,670)** |
| Effect of foreign currency exchange rates on cash and cash equivalents | 141 | (296) | (1,153) |
| Net increase (decrease) in cash and cash equivalents | 10,433 | (22,287) | 13,100 |
| Cash and cash equivalents at beginning of the year | 38,230 | 60,517 | 47,417 |
| **Cash and cash equivalents at end of the year** | **$ 48,663** | **$ 38,230** | **$ 60,517** |
| | | | |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for income taxes | $ 4,205 | $ 3,308 | $ 3,210 |
| Cash paid for interest | 1,107 | 1,501 | 1,655 |
| | | | |
| Non-cash investing and financing activities: | | | |
| Acquisition of property and equipment and capitalized curriculum financed by accounts payable | $ 1,036 | $ 548 | $ 529 |
| Acquisition of content rights financed by accounts payable | 750 | - | - |

*See accompanying notes to consolidated financial statements.*

FRANKLIN COVEY CO.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| In thousands | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock Shares | Treasury Stock Amount |
|---|---|---|---|---|---|---|---|
| **Balance at August 31, 2021** | **27,056** | **$ 1,353** | **$ 214,888** | **$ 63,591** | **$ 709** | **(12,889)** | **$ (200,678)** |
| Issuance of common stock from treasury | | | (2,719) | | | 258 | 4,055 |
| Purchase of treasury shares | | | | | | (585) | (23,850) |
| Unvested share award | | | (209) | | | 13 | 209 |
| Stock-based compensation | | | 8,286 | | | | |
| Cumulative translation adjustments | | | | | (1,251) | | |
| Net income | | | | 18,430 | | | |
| **Balance at August 31, 2022** | **27,056** | **1,353** | **220,246** | **82,021** | **(542)** | **(13,203)** | **(220,264)** |
| Issuance of common stock from treasury | | | (127) | | | 98 | 1,666 |
| Purchase of treasury shares | | | | | | (885) | (35,555) |
| Unvested share award | | | (266) | | | 16 | 266 |
| Stock-based compensation | | | 12,520 | | | | |
| Cumulative translation adjustments | | | | | (445) | | |
| Net income | | | | 17,781 | | | |
| **Balance at August 31, 2023** | **27,056** | **1,353** | **232,373** | **99,802** | **(987)** | **(13,974)** | **(253,887)** |
| Issuance of common stock from treasury | | | (10,266) | | | 643 | 11,733 |
| Purchase of treasury shares | | | | | | (776) | (30,749) |
| Unvested share award | | | (436) | | | 23 | 436 |
| Stock-based compensation | | | 10,142 | | | | |
| Cumulative translation adjustments | | | | | 219 | | |
| Net income | | | | 23,402 | | | |
| **Balance at August 31, 2024** | **27,056 $** | **1,353 $** | **231,813 $** | **123,204 $** | **(768)** | **(14,084) $** | **(272,467)** |

*See accompanying notes to consolidated financial statements.*

FRANKLIN COVEY CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Franklin Covey Co. (hereafter referred to as we, us, our, or the Company) is a global company specializing in organizational performance improvement. We help individuals and organizations achieve results that require a change in human behavior and our mission is to "enable greatness in people and organizations everywhere." We have some of the best-known offerings in the training industry, including a suite of individual-effectiveness and leadership-development training and products based on the best-selling books, *The 7 Habits of Highly Effective People, The Speed of Trust, The Leader In Me*, *The Four Disciplines of Execution*, and *Multipliers*, and proprietary content in the areas of Leadership, Execution, Productivity, Sales Performance, and Educational improvement. Our offerings are described in further detail at www.franklincovey.com and elsewhere in this report. Through our organizational research and curriculum development efforts, we seek to consistently create, develop, and introduce new services and products that help individuals and organizations achieve their own great purposes.

**Fiscal Year**

Our fiscal year ends on August 31 of each year and our fiscal quarters end on the last day of November, February, and May. Unless otherwise noted, references to fiscal years apply to the 12 months ended August 31 of the specified year.

**Basis of Presentation**

The accompanying consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries, which consist of Franklin Development Corp., and our offices that serve clients in Japan, China, the United Kingdom, Ireland, Australia, New Zealand, Germany, Switzerland, and Austria. Intercompany balances and transactions are eliminated in consolidation.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, shareholders' equity, revenues, and expenses. Actual results could differ from those estimates.

**Reclassifications**

Certain reclassifications have been made in our prior period financial statements to conform with the current period presentation. On our consolidated income statement and statement of comprehensive income for the fiscal year ended August 31, 2023, we have separately presented $0.6 million of restructuring costs which were previously included with selling, general, and administrative expenses.

**Cash and Cash Equivalents**

Our cash is deposited with financial institutions located throughout the United States of America and at banks in foreign countries where we operate subsidiary offices, and at times these deposits may exceed insured limits. We consider all highly liquid debt instruments with an original maturity date of three months or less to be cash equivalents. Of our $48.7 million of cash at August 31, 2024, $13.9 million was held outside the U.S. by our foreign subsidiaries. We routinely repatriate cash from our foreign subsidiaries and consider cash generated from foreign activities a key component of our overall liquidity position.

**Inventories**

Inventories are stated at the lower of cost or net realizable value, cost being determined using the first-in, first-out method. Elements of cost in inventories include raw materials and direct labor. Cash flows from the sale of inventory are included in cash flows provided by operating activities in our consolidated statements of cash flows. Our inventories are comprised primarily of training materials, books, training-related accessories, and consisted of the following (in thousands):

| AUGUST 31, | 2024 | 2023 |
|---|---|---|
| Finished goods | $ 4,002 | $ 4,204 |
| Raw materials | - | 9 |
| | $ 4,002 | $ 4,213 |

Provision is made to reduce excess and obsolete inventories to their estimated net realizable value. In assessing the valuation of our inventories, we make judgments regarding future demand requirements and compare these estimates with current and committed inventory levels. Inventory requirements may change based on projected customer demand, training curriculum life-cycle changes, and other factors that could affect the valuation of our inventories.

**Other Current Assets**

Significant components of our other current assets were as follows (in thousands):

| AUGUST 31, | 2024 | 2023 |
|---|---|---|
| Deferred commissions | $ 14,784 | $ 14,426 |
| Other current assets | 1,691 | 1,812 |
| | $ 16,475 | $ 16,238 |

We defer commission expense on subscription-based sales and recognize the commission expense with the recognition of the corresponding revenue.

**Property and Equipment**

Property and equipment are recorded at cost. Depreciation expense, which includes depreciation on our corporate campus that is accounted for as a financing obligation (Note 7), is calculated using the straight-line method over the lesser of the expected useful life of the asset or the contracted lease period. We generally use the following depreciable lives for our major classifications of property and equipment:

| Description | Useful Lives |
|---|---|
| Buildings | 20 years |
| Machinery and equipment | 5–7 years |
| Computer hardware and software | 3–5 years |
| Furniture, fixtures, and leasehold improvements | 5–7 years |

Our property and equipment were comprised of the following (in thousands):

| AUGUST 31, | 2024 | 2023 |
|---|---|---|
| Land and improvements | $ 1,312 | $ 1,312 |
| Buildings | 28,240 | 30,038 |
| Machinery and equipment | 401 | 495 |
| Computer hardware and software | 29,263 | 28,948 |
| Furniture, fixtures, and leasehold improvements | 9,362 | 10,147 |
| | 68,578 | 70,940 |
| Less accumulated depreciation | (59,842) | (60,901) |
| | $ 8,736 | $ 10,039 |

We expense costs for repairs and maintenance as incurred. Gains and losses resulting from the sale of property and equipment are recorded in income from operations. Depreciation of capitalized subscription portal costs is included in depreciation expense in the accompanying consolidated income statements and statements of comprehensive income.

**Impairment of Long-Lived Assets**

Long-lived tangible assets and finite-lived intangible assets are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We use an estimate of undiscounted future net cash flows of the assets over the remaining useful lives in determining whether the carrying value of the assets is recoverable. If the carrying values of the assets exceed the anticipated future cash flows of the assets, we recognize an impairment loss equal to the difference between the carrying values of the assets and their estimated fair values. Impairment of long-lived assets is assessed at the lowest levels for which there are identifiable cash flows that are independent from other groups of assets. The evaluation of long-lived assets requires us to use estimates of future cash flows. If forecasts and assumptions used to support the realizability of our long-lived tangible and finite-lived intangible assets change in the future, significant impairment charges could result that would adversely affect our results of operations and financial condition.

In a prior period, we initiated the development of a student leadership assessment. However, due to societal changes in perception regarding the collection of student information and potential legal challenges, during the second quarter of fiscal 2024 we determined that it was in the best interest of the Company to suspend further development of the student leadership assessment and impair the associated asset. Approximately $0.6 million of the capitalized costs were for software and were previously included in property and equipment, and $0.3 million was included in capitalized development, which is included in our other long-term assets. The student leadership assessment was being developed solely for use in our Education Division.

**Indefinite-Lived Intangible Assets and Goodwill Impairment Testing**

Intangible assets that are deemed to have an indefinite life and acquired goodwill are not amortized, but rather are tested for impairment on an annual basis or more often if events or circumstances indicate that a potential impairment exists. The Covey trade name intangible asset has been deemed to have an indefinite life. This intangible asset is tested for impairment using qualitative factors or the present value of estimated royalties on trade name related revenues, which consist primarily of training seminars and work sessions, international licensee sales, and related products. Based on the fiscal 2024 evaluation of the Covey trade name, we believe the fair value of the Covey trade name substantially exceeds its carrying value. No impairment charges were recorded against the Covey trade name during the periods presented in this report.

Goodwill is recorded when the purchase price for a business acquisition exceeds the estimated fair value of the net tangible and identified intangible assets acquired. We test goodwill for impairment each year on August 31 or upon the occurrence of events or changes in circumstances which indicate that goodwill may be impaired. Goodwill is assigned to our reporting units, which are our operating segments, where discrete financial information is available that is regularly reviewed by management to evaluate segment performance.

During the annual impairment testing process, we have the option to first perform a qualitative assessment (commonly referred to as Step Zero) over relative events and circumstances to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value or to perform a quantitative assessment where we estimate the fair value of each reporting unit using both an income and market approach. At August 31, 2024, we completed a quantitative assessment of our goodwill and concluded there were no impairments. Refer to Note 4, *Intangible Assets and Goodwill* for further information on our goodwill, including the allocation of our goodwill to our operating segments.

When we perform a quantitative analysis to assess the recoverability of our goodwill, we determine the estimated fair value of each reporting unit and compare it to the carrying value of the reporting unit, including goodwill. If the fair value is less than the carrying value of the net assets and related goodwill, an impairment charge is recognized for the difference. The estimated fair value of each reporting unit is calculated using a combination of the income approach (discounted cash flows) and the market approach (using market multiples derived from a set of companies with comparable market characteristics). The value estimated using a discounted cash flow model is weighted against the estimated value derived from the guideline company market approach method. This market approach method estimates the price reasonably expected to be realized from the sale of the reporting unit based on comparable companies. In developing the discounted cash flow analysis, our assumptions about future revenues and expenses, capital expenditures, and changes in working capital are based on our internal plan and assume a terminal growth rate thereafter. The discounted cash flow analysis is derived from valuation techniques in which one or more significant inputs are not observable and constitute Level 3 fair value measures.

The determination of the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions, and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable, but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

**Capitalized Curriculum Development Costs**

During the normal course of business, we develop training courses and related materials that we sell to our clients. Capitalized curriculum development costs include certain expenditures to develop course materials such as video segments, course manuals, and other related materials. Our capitalized curriculum development spending in fiscal 2024, which totaled $6.9 million, was primarily to create new and refreshed offerings and content for the AAP, including a significantly refreshed *The 7 Habits of Highly Effective People* offering which is expected to be released early in fiscal 2025, and new offerings for our Education practice. Curriculum costs are capitalized when there is a major revision to an existing course that requires a significant re-write of the course materials, or a significant investment in new curriculum. Costs incurred to maintain existing offerings are expensed when incurred. In addition, development costs incurred in the research and development of new offerings and software products to be sold, leased, or otherwise marketed are expensed as incurred until economic and technological feasibility have been established.

Capitalized development costs are amortized over three- to five-year useful lives, which are based on numerous factors, including expected cycles of major changes to the content. Capitalized curriculum development costs are reported as a component of other long-term assets in our consolidated balance sheets and totaled $15.3 million and $10.9 million at August 31, 2024 and 2023. Amortization of capitalized curriculum development costs is reported as a component of cost of revenue in the accompanying consolidated income statements and statements of comprehensive income.

**Accrued Liabilities**

Significant components of our accrued liabilities were as follows (in thousands):

| AUGUST 31, | 2024 | 2023 |
|---|---|---|
| Accrued compensation | $ 18,463 | $ 17,974 |
| Other accrued liabilities | 13,991 | 10,278 |
| | $ 32,454 | $ 28,252 |

**Contingent Consideration Payments from Business Acquisitions**

Business acquisitions may include contingent consideration payments based on various future financial measures related to the acquired entity. Contingent consideration is required to be recognized at fair value as of the acquisition date. We estimate the fair value of these liabilities based on financial projections of the acquired company and estimated probabilities of achievement. Based on updated estimates and projections, the contingent consideration liabilities are adjusted at each reporting date to their estimated fair value. Changes in fair value subsequent to the acquisition date are reported in selling, general, and administrative expense in our consolidated income statements and statements of comprehensive income and may have a material impact on our operating results. Variations in the fair value of contingent consideration liabilities may result from changes in discount periods or rates, changes in the timing and amount of earnings estimates, and changes in probability assumptions with respect to the likelihood of achieving various payment criteria.

**Foreign Currency Translation and Transactions**

The functional currencies of our foreign operations are the reported local currencies. Translation adjustments result from translating our foreign subsidiaries' financial statements into United States dollars. The balance sheet accounts of our foreign subsidiaries are translated into United States dollars using the exchange rate in effect at the balance sheet dates. Revenues and expenses are translated using average exchange rates for each month during the fiscal year. The resulting translation differences are recorded as a component of accumulated other comprehensive loss in shareholders' equity. Foreign currency transaction losses totaled $0.1 million, $0.1 million, and $0.5 million for the fiscal years ended August 31, 2024, 2023, and 2022, respectively, and are included as a component of selling, general, and administrative expenses in our consolidated income statements and statements of comprehensive income.

**Revenue Recognition**

We account for revenue in accordance with Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. For further information on our revenue, refer to Note 2, *Revenue*.

Revenue is recognized as the net amount to be received after deducting estimated amounts for discounts and product returns.

**Shipping and Handling Fees and Costs**

All shipping and handling fees billed to customers are recorded as a component of revenue. All costs incurred related to the shipping and handling of products are recorded in cost of revenue.

**Advertising Costs**

Costs for advertising are expensed as incurred. Advertising costs included in selling, general, and administrative expenses totaled $5.2 million, $4.5 million, and $4.8 million for the fiscal years ended August 31, 2024, 2023, and 2022, respectively.

**Restructuring Costs**

During fiscal 2024, we restructured certain areas of our operations to sharpen the focus of our efforts and resources on plans and initiatives to drive additional growth in the future. As a result of this restructuring plan, we reduced our workforce by more than 50 associates and incurred severance and legal expenses totaling $3.0 million. Approximately $2.5 million of the restructuring expense was attributable to the Direct Office segment, $0.4 million was attributable to the Education segment, and $0.1 million was attributable to corporate functions. We intend to invest the resources attributable to this restructuring in initiatives to drive future growth in both divisions. The remaining restructuring liability at August 31, 2024 totaled $0.4 million and is included in accrued liabilities in our consolidated balance sheet. The remaining accrued restructuring costs are expected to be paid in the first half of fiscal 2025.

**Stock-Based Compensation**

We record the compensation expense for all stock-based payments, including grants of stock options and the compensatory elements of our employee stock purchase plan, in our consolidated income statements and statements of comprehensive income based upon their fair values over the requisite service period. For more information on our stock-based compensation plans, refer to Note 12.

**Income Taxes**

Our income tax provision has been determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred income taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The income tax provision represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred income taxes result from differences between the financial and tax bases of our assets and liabilities and are adjusted for tax rates and tax laws when changes are enacted. A valuation allowance is provided against deferred income tax assets when it is more likely than not that all or some portion of the deferred income tax assets will not be realized. Interest and penalties related to uncertain tax positions are recognized as components of income tax benefit or expense in our consolidated income statements and statements of comprehensive income.

We may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

We provide for income taxes, net of applicable foreign tax credits, on temporary differences in our investment in foreign subsidiaries, which consist primarily of unrepatriated earnings.

**Comprehensive Income**

Comprehensive income includes changes to equity accounts that were not the result of transactions with shareholders. Comprehensive income is comprised of net income and other comprehensive income and loss items. Our other comprehensive income and losses generally consist of changes in the cumulative foreign currency translation adjustment, net of tax.

**Accounting Pronouncements Issued Not Yet Adopted**

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU is intended to improve reportable segment disclosure primarily by requiring entities to provide more disaggregated expense information about their reportable segments. The new guidance also improves interim disclosure requirements, clarifies circumstances in which an entity can disclose multiple segment measures of profit or loss, provides new segment disclosure requirements for entities with a single reportable segment, and contains other disclosure requirements. ASU 2023-07 is effective for public entities in fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We are currently assessing the anticipated impact of this standard on our consolidated financial statements.

On December 14, 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures*. ASU 2023-09 provides guidance to enhance transparency about income tax information through improvements to income tax disclosures primarily related to the effective income tax rate reconciliation and income taxes paid. This new guidance also includes certain other amendments to improve the effectiveness of income tax disclosures. For public companies, the guidance in ASU 2023-09 is effective for annual periods beginning after December 15, 2024. We are currently assessing the anticipated impact of this standard on our consolidated financial statements.

**2. REVENUE**

We earn revenue from contracts with customers primarily through the delivery of our All Access Pass (AAP) and the *Leader in Me* membership subscription offerings, through the delivery of training days and training course materials (whether digitally or in person), and through the licensing of rights to sell our content into geographic locations where the Company does not maintain a direct office. We also earn revenues from leasing arrangements that are not accounted for under Topic 606. Returns and refunds are generally immaterial, and we do not have any significant warranty obligations.

We recognize revenue upon the transfer of control of promised products and services to customers in an amount equal to the consideration we expect to receive in exchange for those products or services. Although rare, if the consideration promised in a contract includes variable amounts, we evaluate the estimate of variable consideration to determine whether the estimate needs to be constrained. We include the variable consideration in the transaction price only to the extent that it is probable a significant reversal of the amount of cumulative revenue recognized will not occur.

The Company determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when the Company satisfies the performance obligations

Taxes assessed by a government authority that are collected from a customer are excluded from revenue.

**Subscription Revenues**

Subscription revenues primarily relate to the Company's AAP and the *Leader in Me* membership offerings. We have determined that it is most appropriate to account for the AAP as a single performance obligation and recognize the associated transaction price ratably over the term of the underlying contract beginning on the commencement date of each contract, which is the date the Company's platforms and resources are made available to the customer. This determination was reached after considering that our web-based functionality and content, in combination with our intellectual property, each represent inputs that transform into a combined output that represents the intended outcome of the AAP, which is to provide a continuously accessible, customized, and dynamic learning and development solution only accessible through the AAP platform.

We typically invoice our customers annually upon execution of the contract or subsequent renewals. Amounts that have been invoiced are recorded in accounts receivable and in unearned subscription revenue until the transfer of control has occurred and the amount is recognized in revenue.

Our *Leader in Me* membership offering is bifurcated into a portal membership obligation and a coaching delivery obligation. We have determined that it is appropriate to recognize revenue related to the portal membership over the term of the underlying contract and to recognize revenue from coaching as those services are performed. The combined contract amount is recorded in deferred subscription revenue until the performance obligations are satisfied. Any additional coaching or training days which are contracted independent of a *Leader in Me* membership are recorded as revenue in accordance with our general policy for services and products as described below.

**Services and Products**

We deliver Company-led training days from our offerings, such as *The 7 Habits of Highly Effective People*, at a customer's location or live-online based upon a daily consultant rate and a set price for training materials. These revenues are recognized as the training days occur and the services are performed. Customers also have the option to purchase training materials and present our offerings through internal facilitators and not through the use of a Franklin Covey consultant. Revenue is recognized from these product sales when the materials are shipped. Shipping revenues associated with product sales are recorded in revenue with the corresponding shipping cost being recorded as a component of cost of revenue.

**Royalties**

Our international strategy includes the use of licensees in countries where we do not have a wholly-owned direct office. Licensee companies are unrelated entities that have been granted a license to translate our content and offerings, adapt the content to the local culture, and sell our content in a specific country or region. We recognize revenue on the upfront fees from the sale of a territory to a licensee over the term of the initial contract. Licensees are then required to pay us royalties based upon a percentage of their sales to clients. We recognize royalty income each reporting period based upon sales information reported to us from the licensees. Refer to the disaggregated revenue information presented in Note 16, *Segment Information*, for our royalty revenues in the fiscal years presented in this report.

**Contracts with Multiple Performance Obligations**

We periodically enter into contracts that include multiple performance obligations. A performance obligation is a promise in a contract to transfer products or services that are distinct, or that are distinct within the context of the contract. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when the performance obligation is satisfied. Determining whether products and services meet the distinct criteria that should be accounted for separately or combined as one unit of accounting requires significant judgment.

When determining whether goods and services meet the distinct criteria, we consider various factors for each agreement including the availability of the services and the nature of the offerings and services. We allocate the transaction price to each performance obligation on a relative standalone selling price (SSP) basis. Judgment is required to determine the SSP for each distinct performance obligation. The SSP is the price which the Company would sell a promised product or service separately to a customer. In determining the SSP, we consider the size and volume of transactions, price lists, historical sales, and contract prices. We may modify our pricing from time-to-time in the future, which could result in changes to the SSP.

**Contract Balances**

As described above, our subscription revenue is recognized ratably over the term of the underlying contract beginning on the commencement date of each agreement. The timing of when these contracts are invoiced, cash is collected, and revenue is recognized impacts our accounts receivable and deferred subscription revenue accounts. We generally bill our clients in advance for subscription offerings or within the month that the training and products are delivered. As such, consideration due to the Company for work performed is included in accounts receivable and we do not have a significant amount of contract assets. Our receivables are generally collected within 30 to 150 days but typically no longer than 12 months. Deferred subscription revenue primarily consists of billings or payments received in advance of revenue being recognized from our subscription offerings. Furthermore, our clients, to expend funds in a particular budget cycle, may prepay for services or products which are recorded as customer deposits until the amount is applied to a subscription contract. Our deferred subscription revenue totaled $107.9 million at August 31, 2024 and $99.0 million at August 31, 2023, of which $6.7 million and $3.7 million were classified as components of other long-term liabilities at August 31, 2024 and August 31, 2023, respectively. During the fiscal years ended August 31, 2024 and 2023, we recognized $147.9 million and $139.0 million of previously deferred subscription revenue.

**Remaining Performance Obligations**

When possible, we enter into multi-year non-cancellable contracts which are invoiced either upon execution of the contract or at the beginning of each annual contract period. Our remaining performance obligation represents contracted revenue that has not yet been recognized, including unearned subscription revenue and unbilled amounts that will be recognized as revenue in future periods. Transaction price is influenced by factors such as seasonality, the average length of the contract term, and the ability of the Company to continue to enter multi-year non-cancellable contracts. At August 31, 2024 we had $183.1 million of remaining performance obligations, including $107.9 million of deferred revenue related to our subscription offerings. The remaining performance obligation does not include customer deposits as those amounts are generally refundable at the client's request prior to the satisfaction of the obligation.

**Costs Capitalized to Obtain Contracts**

We capitalize the incremental costs of obtaining non-cancellable subscription revenue, primarily from the All Access Pass and the *Leader in Me* membership offerings. These incremental costs consist of sales commissions paid to our sales force and include the associated payroll taxes and fringe benefits. As the same commission rates are paid annually when the customer renews their contract, the capitalized commission costs are generally amortized ratably on an annual basis consistent with the recognition of the corresponding subscription revenue. At August 31, 2024, we have $16.4 million of capitalized direct commissions, of which $14.8 million is included in other current assets and $1.6 million is in other long-term assets based on the expected recognition of the commission expense. During the fiscal year ended August 31, 2024, we capitalized $20.9 million of commission costs to obtain revenue contracts and amortized $19.8 million of deferred commissions to selling, general, and administrative expense. At August 31, 2023, we had $15.3 million of capitalized direct commissions, of which $14.4 million was included in other current assets and $0.9 million in other long-term assets.

Refer to Note 16, *Segment Information*, to these consolidated financial statements for our disaggregated revenue information.

**3. ACCOUNTS RECEIVABLE**

Our trade accounts receivable are recorded at cost less an allowance for estimated credit losses, which is the net amount we expect to collect.

We make ongoing estimates relating to the collectability of our accounts receivable and maintain an allowance for credit losses resulting from the inability or unwillingness of our customers to make required payments. We estimate the allowance based upon consideration of numerous factors, including historical bad debts, the age of customer receivable balances, industry trends, macroeconomic factors in the markets which we operate, and judgments about the creditworthiness of our customers based on ongoing credit evaluations. The allowance is adjusted as necessary to reflect differences in current conditions as well as changes in forecasted macroeconomic conditions. Receivables that do not share the same risk characteristics as other trade receivables are evaluated on an individual basis, including those associated with customers that have a higher probability of default. We do not have a significant amount of notes or other receivables.

The following schedule provides a reconciliation of the activity in our allowance for estimated credit losses during the periods indicated (in thousands):

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Beginning balance | $ 3,790 | $ 4,492 | $ 4,643 |
| Charged to costs and expenses | (64) | (66) | 306 |
| Deductions | (711) | (636) | (457) |
| Ending balance | $ 3,015 | $ 3,790 | $ 4,492 |

The deductions on the foregoing table represent the write-off of amounts deemed uncollectible during the fiscal year presented. During each of fiscal 2024 and 2023, we received payment from customers whose accounts we had previously reserved against because of potential pandemic-related uncertainties. Accordingly, we reversed a portion of the allowance during each of these fiscal years to reflect the payments. At August 31, 2024, we had no remaining reserve for pandemic-related credit losses. Recoveries of amounts previously written off were insignificant for the periods presented. No customer accounted for more than 10% of our sales or accounts receivable in any year presented.

## 4. INTANGIBLE ASSETS AND GOODWILL

### Intangible Assets

Our intangible assets were comprised of the following (in thousands):

| AUGUST 31, 2024 | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|
| *Finite-lived intangible assets:* | | | |
| Acquired content | $ 49,806 | $ (45,501) | $ 4,305 |
| License rights | 33,258 | (26,889) | 6,369 |
| Customer lists | 15,982 | (15,589) | 393 |
| Acquired technology | 7,282 | (3,920) | 3,362 |
| Trade names | 1,883 | (1,586) | 297 |
| Non-compete agreements and other | 930 | (890) | 40 |
| | 109,141 | (94,375) | 14,766 |
| *Indefinite-lived intangible asset:* | | | |
| Covey trade name | 23,000 | - | 23,000 |
| | $ 132,141 | $ (94,375) | $ 37,766 |
| AUGUST 31, 2023 | | | |
| *Finite-lived intangible assets:* | | | |
| Acquired content | $ 49,802 | $ (43,910) | $ 5,892 |
| License rights | 31,758 | (25,461) | 6,297 |
| Customer lists | 15,982 | (15,272) | 710 |
| Acquired technology | 7,282 | (3,200) | 4,082 |
| Trade names | 1,883 | (1,408) | 475 |
| Non-compete agreements and other | 930 | (875) | 55 |
| | 107,637 | (90,126) | 17,511 |
| *Indefinite-lived intangible asset:* | | | |
| Covey trade name | 23,000 | - | 23,000 |
| | $ 130,637 | $ (90,126) | $ 40,511 |

During fiscal 2024, we purchased the content rights for *The Teacher Believed in Me* (TBIM) for $1.5 million in cash. We believe the content in TBIM is compelling and fits well within our *Leader in Me* offering. While the author retains the copyright to TBIM, the agreement grants us broad rights for the development and use of TBIM content. The content license does not have an expiration date and the purchase price is payable in two installments of $0.8 million. We are amortizing the content license over a 10-year useful life, which is similar to other licenses, and the final payment is due in January 2025.

Our intangible assets are amortized over the estimated useful life of the asset. The range of remaining estimated useful lives and weighted-average amortization period over which we are amortizing the major categories of finite-lived intangible assets at August 31, 2024 were as follows:

| Category of Intangible Asset | Range of Remaining Estimated Useful Lives | Weighted Average Original Amortization Period |
|---|---|---|
| Acquired content | 2 to 3 years | 26 years |
| License rights | 3 to 10 years | 26 years |
| Customer lists | 3 years | 12 years |
| Acquired technology | 5 years | 7 years |
| Trade names | 2 years | 5 years |
| Non-compete agreements and other | 3 to 5 years | 3 years |

Our aggregate amortization expense from finite-lived intangible assets totaled $4.2 million, $4.3 million, and $5.3 million for the fiscal years ended August 31, 2024, 2023, and 2022. Amortization expense from our intangible assets over the next five years is expected to be as follows (in thousands):

| YEAR ENDING AUGUST 31, | | |
|---|---|---|
| 2025 | $ | 4,229 |
| 2026 | | 4,144 |
| 2027 | | 3,296 |
| 2028 | | 1,319 |
| 2029 | | 1,076 |

**Goodwill**

We performed our annual testing of goodwill in accordance with the accounting policies described in Note 1, *Nature of Operations and Summary of Significant Accounting Policies*. We completed a quantitative assessment of our goodwill as of August 31, 2024 and concluded there were no impairments. We do not have any accumulated impairment charges against the carrying value of our goodwill. At each of August 31, 2024 and 2023, goodwill was allocated to our segments as shown below (in thousands):

| | | |
|---|---|---|
| Direct offices | $ | 22,962 |
| International licensees | | 5,928 |
| Education practice | | 2,330 |
| | $ | 31,220 |

**5. SECURED CREDIT AGREEMENT**

On March 27, 2023, we entered into a new credit agreement (the 2023 Credit Agreement) with KeyBank National Association (KeyBank) leading a group of financial institutions (collectively, the Lenders), which replaced our previous credit agreement with JPMorgan Chase Bank, N.A. (the 2019 Credit Agreement). KeyBank acts as the sole administrative and collateral agent under the 2023 Credit Agreement. The 2023 Credit Agreement provides up to $70.0 million in total credit, of which $7.5 million was used to replace the outstanding term loan balance from the 2019 Credit Agreement, which was fully repaid in June 2024. The remaining $62.5 million is available as a revolving line of credit or for future term loans.

The 2023 Credit Agreement matures on March 27, 2028, and interest on term loan borrowings under the 2023 Credit Agreement was due and payable on the principal payment dates. Interest on all other borrowings is due the last day of each month. The interest rate for all borrowings on the 2023 Credit Agreement is based on the Secured Overnight

Financing Rate (SOFR) and is a tiered structure that varies according to the Leverage Ratio calculated at the end of each fiscal quarter. On August 31, 2024, we did not have any outstanding term loan or line of credit debt, and the interest rate on the 2023 Credit Agreement was 6.9% at each of August 31, 2024 and 2023. We are also charged an unused credit commitment fee of 0.2% per annum, which is paid quarterly.

The Leverage Ratio as defined by the 2023 Credit Agreement is funded debt to adjusted earnings before interest, taxes, depreciation, and amortization (Adjusted EBITDA) and determines the applicable interest rate as shown below:

| Leverage Ratio | Interest Rate |
|---|---|
| Less than 1.00 | SOFR plus 1.50% |
| Between 1.00 and 2.00 | SOFR plus 1.75% |
| Between 2.01 and 2.50 | SOFR plus 2.25% |
| Greater than 2.51 | SOFR plus 2.75% |

The 2023 Credit Agreement also contains representations, warranties, and certain covenants. When any amounts are outstanding under the 2023 Credit Agreement, we are subject to a number of affirmative and negative covenants, including covenants regarding dispositions of property, investments, forming or acquiring subsidiaries, and business combinations or acquisitions, among other customary covenants, subject to certain exceptions. As defined in the 2023 Credit Agreement, we are (i) required to maintain a Leverage Ratio of less than 3.00 to 1.00 and a Fixed Charge Coverage Ratio greater than 1.15 to 1.00; and (ii) we are restricted from making certain distributions to stockholders, including repurchases of common stock. However, we are permitted to make distributions, including through purchases of outstanding common stock, provided that we are in compliance with the Leverage Ratio and Fixed Charge Coverage Ratio financial covenants before and after such distribution. In the event of noncompliance with these financial covenants and other defined events of default, the Lender is entitled to certain remedies, including acceleration of the repayment of amounts outstanding under the 2023 Credit Agreement. At August 31, 2024, we believe that we were in compliance with the covenants and conditions of the 2023 Credit Agreement.

The 2023 Credit Agreement is secured by substantially all of our assets and certain of our subsidiaries, and provides for standard events of default, such as for non-payment and failure to perform or observe covenants, and contains standard indemnifications benefitting the Lenders. In connection with the 2023 Credit Agreement, the Company and certain of its subsidiaries, as applicable, also entered into a Security Agreement, Intellectual Property Security Agreement, and Guaranty of Payment.

**6. NOTES PAYABLE**

At August 31, 2024, our notes payable consisted of a note payable to the former owners of Strive Talent, Inc., which was acquired in fiscal 2021. The note payable to the former owners of Strive is recorded at net present value and accrues interest at 3.6% until the obligation is paid in full. The previously outstanding term loan payable to the bank under the 2023 Credit Agreement was repaid in full, as scheduled, in June 2024. The balances and classification of our notes payable were as follows at the dates indicated (in thousands):

| | Current Portion of Notes Payable | | Notes Payable, Less Current Portion | |
|---|---|---|---|---|
| Description | August 31, 2024 | August 31, 2023 | August 31, 2024 | August 31, 2023 |
| Term loan payable | $ - | $ 5,000 | $ - | $ - |
| Strive acquisition note payable | 835 | 835 | 775 | 1,535 |
| | $ 835 | $ 5,835 | $ 775 | $ 1,535 |

Principal payments of $1.25 million on our term loan payable under the 2023 Credit Agreement were due and payable on the last day of each March, June, September, and December until the term loan liability was fully repaid in 2024. Under the terms of the Strive acquisition, we pay the former principal owner of Strive $0.8 million each April for the first five years following the acquisition. The difference between the Strive Inc. note principal payments shown below and the amounts on our consolidated balance sheets above is interest that accrues over the life of the note. Remaining principal payments on our notes payable are as follows (in thousands):

| YEAR ENDING AUGUST 31, | Term Loan Payable | Strive Note Payable | Total |
|---|---|---|---|
| 2025 | $ - | $ 835 | $ 835 |
| 2026 | - | 835 | 835 |
| | $ - | $ 1,670 | $ 1,670 |

## 7. FINANCING OBLIGATION

We previously sold our corporate headquarters campus located in Salt Lake City, Utah, and entered into a 20-year master lease agreement with the purchaser, an unrelated private investment group. The 20-year master lease agreement expires in June 2025 and contains six additional five-year renewal options that allow us to maintain our operations at the current location for up to 50 years at our sole discretion. Although the corporate headquarters facility was sold and we have no legal ownership of the property, the applicable accounting guidance prohibited us from recording the transaction as a sale since we subleased a significant portion of the property that was sold. In transition to the lease accounting guidance in ASC 842, we reassessed whether the contract met the sale criteria under the new leasing standard. Based on this assessment, we determined that the sale criteria under the new leasing standard was not met and we have continued to account for the corporate campus lease as a financing obligation on our consolidated balance sheet.

The financing obligation on our corporate campus was comprised of the following (in thousands):

| AUGUST 31, | 2024 | 2023 |
|---|---|---|
| Financing obligation payable in monthly installments of $341 at August 31, 2024, including principal and interest, with 2% annual increases (imputed interest at 7.7%), through June 2025 | $ 4,424 | $ 7,962 |
| Less current portion | (3,112) | (3,538) |
| Total financing obligation, less current portion | $ 1,312 | $ 4,424 |

Our remaining future minimum payments under the financing obligation in the initial 20-year lease term are as follows (in thousands):

| YEAR ENDING AUGUST 31, | |
|---|---|
| 2025 | $ 3,301 |
| Thereafter | - |
| Total future minimum financing obligation payments | 3,301 |
| Less interest | (189) |
| Present value of future minimum financing obligation payments | $ 3,112 |

The $1.3 million difference between the carrying value of the financing obligation and the present value of the future minimum financing obligation payments represents the carrying value of the land sold in the financing transaction, which is not depreciated. At the conclusion of the master lease agreement, the remaining financing obligation and carrying value of the land will be offset and eliminated from our consolidated financial statements. Due to the nature of the $1.3 million difference, we have classified the amount as long-term in our consolidated balance sheets.

## 8. LEASES

### Lessee Obligations

In the normal course of business, we lease office space, primarily for international sales administration offices, in commercial office complexes that are conducive to sales and administrative operations. We also rent warehousing and distribution facilities that are designed to provide secure storage and efficient distribution of our training products, books, and accessories, and certain office equipment. These leases are classified as operating leases. Operating lease assets and liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. Since most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Leases with an initial term of 12 months or less are not recorded on the balance sheet and we do not have significant amounts of variable lease payments.

Some of our operating leases contain renewal options that may be exercised at our discretion after the completion of the base rental term. At August 31, 2024, we had operating leases with remaining terms ranging from less than one year to approximately four years. The amounts of assets and liabilities (in thousands) and other information related to our operating leases follows:

| | Balance Sheet Caption | Amount |
|---|---|---|
| **Assets:** | | |
| Operating lease right of use assets | Other long-term assets | $ 1,140 |
| **Liabilities:** | | |
| Current: | | |
| Operating lease liabilities | Accrued liabilities | 509 |
| Long-Term: | | |
| Operating lease liabilities | Other long-term liabilities | 631 |
| | | $ 1,140 |
| **Weighted Average Remaining Lease Term:** | | |
| Operating leases (years) | | 2.4 |
| **Weighted Average Discount Rate:** | | |
| Operating leases | | 6.7% |

In fiscal 2024, we obtained $1.1 million of right-of-use operating lease assets in exchange for operating lease liabilities. Future minimum lease payments under our operating leases at August 31, 2024, are as follows (in thousands):

| YEAR ENDING AUGUST 31, | |
|---|---|
| 2025 | $ 568 |
| 2026 | 409 |
| 2027 | 255 |
| 2028 | 7 |
| 2029 | - |
| Thereafter | - |
| Total operating lease payments | 1,239 |
| Less imputed interest | (99) |
| Present value of operating lease liabilities | $ 1,140 |

We recognize lease expense on a straight-line basis over the life of the lease agreement. Total rent expense recorded in selling, general, and administrative expense from our lease agreements totaled $1.1 million, $1.2 million, and $1.5 million for the fiscal years ended August 31, 2024, 2023, and 2022.

### Lessor Accounting

We have subleased the majority of our corporate headquarters campus located in Salt Lake City, Utah to multiple tenants. These sublease agreements are accounted for as operating leases. We recognize sublease income on a straight-line basis over the life of the sublease agreement. The cost basis of our corporate campus is $36.6 million, which had a carrying value of $2.0 million at August 31, 2024. Sublease revenue through the end of our master lease agreement in June 2025 is expected to total $1.5 million. Sublease revenue totaled $1.9 million, $2.4 million, and $3.9 million during the fiscal years ended August 31, 2024, 2023, and 2022.

## 9. COMMITMENTS AND CONTINGENCIES

### Warehouse Outsourcing Contract

We have a warehousing services agreement with an independent warehouse and distribution company to provide product kitting, warehousing, and order fulfillment services at a facility in Des Moines, Iowa. Under the terms of this contract, we pay a fixed charge of approximately $106,000 per year for account management services and variable charges for other warehousing services based on specified activities, including shipping charges. The current warehousing contract expires on July 1, 2025.

During fiscal years ended August 31, 2024, 2023, and 2022, we expensed $2.2 million, $2.7 million, and $2.5 million for services provided under the terms of our warehouse and distribution outsourcing contract. The total amount expensed each year includes freight charges, which are billed to us based upon activity. Freight charges included in the warehouse and distribution outsourcing costs totaled $1.5 million, $1.9 million, and $1.7 million during the fiscal years ended August 31, 2024, 2023, and 2022, respectively. Because of the variable component of the agreement, our payments for warehouse and distribution services may fluctuate in the future due to changes in sales and levels of specified activities.

### Purchase Commitments

During the normal course of business, we issue purchase orders to various vendors for products and services. At August 31, 2024, we had open purchase commitments totaling $4.2 million for products and services to be delivered primarily in fiscal 2025.

### Letter of Credit

At August 31, 2024 and 2023, we had a standby letter of credit for $10,000. Nothing was drawn on this letter of credit at either August 31, 2024 or August 31, 2023.

### Legal Matters and Loss Contingencies

We are the subject of certain legal actions, which we consider routine to our business activities. At August 31, 2024, we believe that, after consultation with legal counsel, any potential liability to us under these other actions will not materially affect our financial position, liquidity, or results of operations.

## 10. SHAREHOLDERS' EQUITY

### Preferred Stock

We have 14.0 million shares of preferred stock authorized for issuance. At August 31, 2024 and 2023, no shares of preferred stock were issued or outstanding.

**Purchases of Treasury Stock**

On April 18, 2024, our Board of Directors approved a new plan to purchase up to $50.0 million of our outstanding common stock. The previously existing common stock purchase plan was canceled, and the new common share purchase plan does not have an expiration date. During fiscal 2024, we purchased 524,548 shares of our common stock on the open market for $20.4 million, including 127,252 shares for $4.9 million under the terms of the new purchase plan approved in fiscal 2024. The actual timing, number, and value of common shares purchased under our board-approved plan will be determined at our discretion and will depend on a number of factors, including, among others, general market and business conditions, the trading price of common shares, and applicable legal requirements. We have no obligation to purchase any common shares under the authorization, and the purchase plan may be suspended, discontinued, or modified at any time for any reason.

Purchases of common stock for treasury as presented on our consolidated statements of cash flows includes both shares purchased on the open market and shares withheld for statutory taxes on our stock-based compensation awards (Note 12) and include the applicable 1% excise tax. Shares withheld for income taxes are valued at the market price on the date the stock-based plan shares were distributed to participants. The composition of shares purchased by us were as follows for the periods presented (cost in thousands):

| | Fiscal 2024 | | Fiscal 2023 | | Fiscal 2022 | |
|---|---|---|---|---|---|---|
| | Shares | Cost | Shares | Cost | Shares | Cost |
| Open market purchases | 524,548 | $ 20,416 | 867,873 | $ 34,720 | 499,411 | $ 20,315 |
| Shares withheld on awards | 251,686 | 10,333 | 17,639 | 835 | 86,125 | 3,535 |
| | 776,234 | $ 30,749 | 885,512 | $ 35,555 | 585,536 | $ 23,850 |

## 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The accounting standards related to fair value measurements include a hierarchy for information and valuations used in measuring fair value that is broken down into the following three levels based on reliability:

**Level 1** valuations are based on quoted prices in active markets for identical instruments that we can access at the measurement date.

**Level 2** valuations are based on inputs other than quoted prices included in Level 1 that are observable for the instrument, either directly or indirectly, for substantially the full term of the asset or liability including the following:

a. quoted prices for similar, but not identical, instruments in active markets;
b. quoted prices for identical or similar instruments in markets that are not active;
c. inputs other than quoted prices that are observable for the instrument; or
d. inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3** valuations are based on information that is unobservable and significant to the overall fair value measurement.

The book values of our financial instruments at August 31, 2024 and 2023 approximated their fair values. The assessment of the fair values of our financial instruments is based on a variety of factors and assumptions. Accordingly, the fair values may not represent the actual values of the financial instruments that could have been realized at August 31, 2024 or 2023, or that will be realized in the future, and do not include expenses that could be incurred in an actual sale or settlement. The following methods and assumptions were used to determine the fair values of our financial instruments, none of which were held for trading or speculative purposes.

***Cash, Cash Equivalents, and Accounts Receivable –*** The carrying amounts of cash, cash equivalents, and accounts receivable approximate their fair values due to the liquidity and short-term maturity of these instruments.

***Other Assets –*** Our other assets, including notes receivable, were recorded at the net realizable value of estimated future cash flows from these instruments.

***Debt Obligations –*** At August 31, 2024, our debt obligations consisted primarily of a note payable to the former owners of Strive. Our revolving line of credit is a negotiated component of our 2023 Credit Agreement (Note 5), which was completed in March 2023 and replaced the 2019 Credit Agreement. Since the interest rate for any obligation on our 2023 Credit Agreement is variable, the applicable interest rates and other conditions related to the term loan and revolving line of credit are reflective of current market conditions, and the carrying value of term loan and revolving line of credit (when applicable) obligations therefore approximate their fair value.

**Contingent Consideration Liabilities from Business Acquisitions**

The acquisition price of Jhana Education (Jhana), which was completed in fiscal 2017, included potential contingent consideration of up to $7.2 million through a specified measurement period, which lasted through July 2026. However, the contingent consideration metrics were met prior to the end of the measurement period, and we made the final contingent payments in fiscal 2023, which totaled $0.7 million. We measured the fair value of this contingent consideration liability at each reporting date based on a Monte Carlo simulation model. The fair value of the Jhana contingent consideration was a Level 3 measurement because we estimated consolidated Company and AAP sales over the measurement period. Changes to the fair value of the contingent consideration liabilities were recorded in selling, general, and administrative expenses in the accompanying consolidated income statements and statements of comprehensive income in the period of adjustment.

## 12. STOCK-BASED COMPENSATION PLANS

### Overview

We utilize various stock-based compensation plans as integral components of our overall compensation and associate retention strategy. Our shareholders have approved various stock incentive plans that permit us to grant performance awards, unvested stock awards, stock options, fully vested stock awards, and employee stock purchase plan (ESPP) shares. The Organization and Compensation Committee of the Board of Directors (the Compensation Committee) has responsibility for the approval and oversight of our stock-based compensation plans.

On January 14, 2022, our shareholders approved the Franklin Covey Co. 2022 Omnibus Incentive Plan (the 2022 Plan), which authorized an additional 1,000,000 shares of common stock for issuance as stock-based payments. A more detailed description of the 2022 Plan is set forth in our Definitive Proxy Statement filed with the SEC on December 15, 2021. At August 31, 2024, the 2022 Plan had approximately 307,000 shares available for future grants.

Our ESPP is administered under the terms of the Franklin Covey Co. 2017 Employee Stock Purchase Plan, which was approved by our shareholders at the annual meeting of shareholders held on January 26, 2018. For additional information regarding the Franklin Covey Co. 2017 Employee Stock Purchase Plan, please refer to our definitive Proxy Statement as filed with the SEC on December 22, 2017. At August 31, 2024, we had approximately 689,000 shares available for purchase by plan participants under the terms of the current shareholder approved ESPP.

The total compensation expense of our various stock-based compensation plans was as follows (in thousands):

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Performance awards | $ 8,275 | $ 10,767 | $ 6,133 |
| Strive acquisition compensation | 660 | 739 | 1,196 |
| Unvested stock awards | 880 | 700 | 673 |
| Compensation cost of the ESPP | 252 | 269 | 239 |
| Fully vested stock awards | 75 | 45 | 45 |
| | $ 10,142 | $ 12,520 | $ 8,286 |

No stock-based compensation was capitalized during the fiscal years presented in this report. We recognize forfeitures of stock-based compensation instruments as they occur. During fiscal 2024, we issued 666,440 shares of our common stock from shares held in treasury for various stock-based compensation arrangements, including our ESPP. Our stock-based compensation plans allow shares to be withheld from the award to pay the participants' statutory income tax liabilities. During fiscal 2024, we withheld 251,686 shares of our common stock, with a fair value of $10.3 million, for statutory income taxes on stock-based compensation awards.

The following is a description of our stock-based compensation plans.

**Performance Awards**

The Compensation Committee has awarded various performance-based stock compensation awards to our associates as long-term incentive awards. Some awards are based on the achievement of future goals and some awards are based upon the achievement of previously defined metrics, such as the achievement of specified levels of sales or days delivered. Compensation expense is recognized as we determine it is probable that the shares will vest and adjustments to compensation expense to reflect the number of shares expected to be awarded are made on a cumulative basis at the date of the adjustment. We reevaluate the likelihood and/or the number of shares expected to vest under performance awards at each reporting date. If all of our long-term performance awards outstanding at August 31, 2024 were to vest at the maximum number of shares that may be earned by participants, we have $13.1 million of unrecognized compensation expense related to our performance awards, which would be recognized over a weighted average period of 1.6 years.

Due to the significant impact of the COVID-19 pandemic on our results of operations in the third quarter of fiscal 2020, we determined that nearly all management long-term incentive plan (LTIP) award tranches based on qualified Adjusted EBITDA for outstanding LTIP awards would not vest before the end of the respective service periods. We therefore reversed the previously recognized stock-based compensation expense associated with these LTIP award tranches during fiscal 2020. On October 2, 2020, the Compensation Committee modified the terms of the fiscal 2020 LTIP to extend the service period of each performance-based tranche by two years and increase each qualified Adjusted EBITDA vesting target by $2.0 million. The time-based portion of the award was not modified. This modification impacted approximately 20 associates who were part of the 2020 LTIP, which vested on August 31, 2024. During the periods presented in this report, we reassessed the 2020 LTIP award (and other previously vested modified awards) using the modified terms and expensed the award based on the new vesting requirements and expected financial results over the revised service period.

***LTIP Awards*** – The Compensation Committee has awarded annual performance-based stock compensation awards to members of our senior management as long-term incentive awards. All LTIP awards granted after fiscal 2020 have two tranches, which consist of: 1) shares that vest after three years of service, and 2) shares that vest based on the highest amount of rolling four quarter qualified Adjusted EBITDA earned in a three-year measurement period. The fiscal 2020 LTIP also includes a tranche that is based on the highest level of subscription sales achieved during the three-year measurement period, which was modified as described above. Twenty-five percent of a participant's award vests after three years of service, and the number of shares awarded in this tranche does not fluctuate based on financial measures. The number of shares that vest to participants based on qualified Adjusted EBITDA achieved in the measurement period is variable and may be 50% of the award (minimum), 100% of the award (target), or up to 200% (maximum) of the participant's award depending on the amount of qualified Adjusted EBITDA achieved. The following information is for our LTIP awards outstanding that included fiscal 2024 in the measurement period, which have been adjusted for forfeitures.

| Award Name | Grant Date | Time-Vested Shares | Qualified Adjusted EBITDA Shares | | | Subscription Sales | End of Service Period |
|---|---|---|---|---|---|---|---|
| | | | Minimum | Target | Maximum | | |
| 2024 LTIP | October 6, 2023 | 26,749 | 40,114 | 80,217 | 160,434 | - | August 31, 2026 |
| 2023 LTIP | October 14, 2022 | 25,767 | 38,646 | 77,275 | 154,550 | - | August 31, 2025 |
| 2022 LTIP | February 4, 2022 | 23,764 | 35,638 | 71,275 | 142,550 | - | August 31, 2024 |
| 2020 LTIP | October 18, 2019 | 23,701 | 24,705 | 49,410 | 98,820 | 42,347 | August 31, 2024 |

We achieved the maximum payout parameters for the fiscal 2022 and fiscal 2020 LTIP awards and distributed the number of shares shown in the maximum column and subscription sales column during the first quarter of fiscal 2025.

***Long-Term Incentive and Retention Equity Awards*** - On October 14, 2022, the Compensation Committee approved a new long-term incentive award for client partners, managing client partners, managing directors, and certain other associates that management believes are critical to our long-term success. For sales-related personnel, their award amounts are based upon meeting minimum sales levels and determining the value of the award based on their total sales performance for the fiscal year. For the other associates, their award amount was approved by the Compensation Committee. One-third of these award shares vest each year over a three-year service period and the number of shares earned does not fluctuate based on future financial metrics. In fiscal 2024 we granted 48,740 shares under the terms of this award to eligible associates and granted 40,009 shares in fiscal 2023. These awards are expected to be granted annually by the Compensation Committee to retain these key associates.

***Strive Acquisition Compensation*** – We structured two parts of the consideration for the fiscal 2021 acquisition of Strive Talent, Inc. as potentially payable in shares of our common stock. Each of the following amounts may be payable in shares of our common stock or cash at our sole discretion:

> *Contingent Consideration* – A maximum of $4.2 million may be earned by the former principal owner of Strive over a five-year period ending in May 2026. The total value of this consideration is contingent upon sales and growth of the All Access Pass subscription and subscription services revenues during the five-year measurement period. We measure the contingent consideration each quarter and divide the total by the average of the closing share price of our common stock on the NYSE over the last 15 trading days of the quarter. Shares are required to be distributed within 45 days following the end of each quarter. Through August 31, 2024, we have recognized $2.2 million of stock-based compensation expense for the Strive contingent consideration payments.
>
> *Bonus Payments* – Approximately $1.0 million was payable 18 months following the Closing Date to stockholders and option holders of Strive who were still employed by the Company as of the 18-month date, subject to certain exceptions. We expensed these awards evenly over the 18-month service period and recognized $0.8 million of share-based compensation expense for these awards, which were distributed in October 2022.

We have reserved 200,000 shares of our common stock from our 2019 Omnibus Plan for payment of this consideration related to the acquisition of Strive.

**Unvested Stock Awards**

The annual Board of Director unvested stock award, which is administered under the terms of the Franklin Covey Co. Omnibus Incentive Plans, is designed to provide our non-employee directors, who are not eligible to participate in our ESPP, an opportunity to obtain an interest in the Company through the acquisition of shares of our common stock as part of their compensation. For fiscal 2024, each eligible director received a whole-share grant equal to $120,000 with a one-year vesting period. The Board of Director unvested awards are generally granted in January (following the Annual Shareholders' Meeting) of each year, and shares granted under the terms of this annual award may not be voted or participate in any common stock dividends until they are vested.

We issued 23,136 shares, 15,882 shares, and 13,260 shares of our common stock to eligible members of the Board of Directors during fiscal 2024, fiscal 2023, and fiscal 2022 as unvested stock awards. The fair value of shares awarded to the directors was $1.0 million in fiscal 2024, and $0.7 million in each of fiscal 2023 and fiscal 2022, as calculated on the grant date of the awards. The corresponding compensation cost of each award is recognized over the service period of the award, which is one year. The cost of the common stock issued from treasury for these awards was $0.4 million in fiscal 2024, $0.3 million in fiscal 2023, and $0.2 million in fiscal 2022. The following information applies to our unvested stock awards for the fiscal year ended August 31, 2024:

| | Number of Shares | Weighted-Average Grant-Date Fair Value Per Share |
|---|---|---|
| Unvested stock awards at August 31, 2023 | 15,882 | $ 45.34 |
| Granted | 23,136 | 41.50 |
| Forfeited | - | - |
| Vested | (15,882) | 45.34 |
| Unvested stock awards at August 31, 2024 | 23,136 | $ 41.50 |

At August 31, 2024, there was $0.3 million of unrecognized compensation cost left on our unvested stock awards, which is expected to be recognized over the remaining service period of approximately four months. The total recognized income tax benefit from unvested stock awards totaled $0.2 million for each of the fiscal years ended August 31, 2024, 2023, and 2022. The intrinsic value of our unvested stock awards at August 31, 2024 was $0.9 million.

**Employee Stock Purchase Plan**

We have an employee stock purchase plan that offers qualified employees the opportunity to purchase shares of our common stock at a price equal to 85% of the average fair market value of our common stock on the last trading day of each quarter. ESPP participants purchased a total of 44,040 shares, 40,141 shares, and 36,960 shares of our common stock during the fiscal years ended August 31, 2024, 2023, and 2022, which had a corresponding cost basis of $0.8 million in fiscal 2024, $0.7 million in fiscal 2023, and $0.6 million in fiscal 2022. We received cash proceeds for these shares from ESPP participants totaling $1.5 million in each of fiscal 2024 and fiscal 2023; and $1.3 million during fiscal 2022.

**Fully Vested Stock Awards**

We have a stock-based incentive program that is designed to reward our client partners and training consultants for exceptional long-term performance. The program grants shares of our common stock to client partners who have achieved certain cumulative sales goals and to training consultants who have delivered a specified number of training days during their career. Five individuals qualified for these awards in fiscal 2024 and three individuals qualified for these awards in each of fiscal 2023 and fiscal 2022.

## 13. EMPLOYEE BENEFIT PLANS

We have defined contribution profit sharing plans for our employees that qualify under Section 401(k) of the Internal Revenue Code. These plans provide retirement benefits for employees meeting minimum age and service requirements. Qualified participants may contribute up to 75% of their gross wages, subject to certain limitations. These plans also provide for matching contributions to the participants that are paid by the Company. The matching contributions, which were expensed as incurred, totaled $2.9 million, $3.0 million, and $2.7 million during the fiscal years ended August 31, 2024, 2023, and 2022, respectively. We do not sponsor or participate in any defined-benefit pension plans.

## 14. INCOME TAXES

Our provision for income taxes consisted of the following (in thousands):

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Current: | | | |
| Federal | $ (4,040) | $ - | $ - |
| State | (1,675) | (791) | (1,221) |
| Foreign | (2,174) | (2,389) | (2,202) |
| | (7,889) | (3,180) | (3,423) |
| Deferred: | | | |
| Federal | 2,309 | 1,545 | (9,339) |
| State | 730 | 225 | (889) |
| Foreign | (395) | 216 | 24 |
| Operating loss carryforward | (3,245) | (7,201) | 7,150 |
| Valuation allowance | (1,154) | 372 | 2,845 |
| Foreign tax credit carryforward reduction | - | (65) | (2) |
| | (1,755) | (4,908) | (211) |
| | $ (9,644) | $ (8,088) | $ (3,634) |

The allocation of our total income tax provision is as follows (in thousands):

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Net income | $ (9,644) | $ (8,088) | $ (3,634) |
| Other comprehensive income | (11) | (80) | 176 |
| | $ (9,655) | $ (8,168) | $ (3,458) |

Income before income taxes was generated as follows (in thousands):

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| United States | $ 32,456 | $ 23,574 | $ 21,152 |
| Foreign | 590 | 2,295 | 912 |
| | $ 33,046 | $ 25,869 | $ 22,064 |

The differences between income taxes at the statutory federal income tax rate and the consolidated income tax rate reported in our consolidated income statements and statements of comprehensive income were as follows:

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Federal statutory income tax rate | (21.0)% | (21.0)% | (21.0)% |
| State income taxes, net of federal effect | (4.0) | (4.7) | (3.9) |
| Valuation allowance | (3.5) | 1.4 | 12.9 |
| Foreign tax credit carryforward reduction | - | (0.3) | - |
| Foreign jurisdictions tax differential | 0.1 | (0.2) | (1.1) |
| Tax differential on income subject to both U.S. and foreign taxes | 1.5 | (1.4) | (0.2) |
| Uncertain tax positions | (0.3) | (0.9) | (0.8) |
| Non-deductible executive compensation | (9.7) | (3.6) | (5.5) |
| Non-deductible meals and entertainment | (0.8) | (0.7) | (0.1) |
| Other stock-based compensation | 7.7 | (0.4) | 2.5 |
| Other | 0.8 | 0.5 | 0.7 |
| | (29.2)% | (31.3)% | (16.5)% |

Our effective income tax expense rate for fiscal 2024 of 29.2% was higher than the statutory tax rate primarily due to tax expense of $3.2 million for non-deductible executive compensation and a $1.2 million increase in the valuation allowance against our deferred income tax assets, which were partially offset by a $2.6 million benefit for share-based compensation deductions in excess of the corresponding book expense and a $0.5 million benefit in tax differential on income subject to both U.S. and foreign taxes.

Our effective income tax expense rate for fiscal 2023 of 31.3% was higher than the statutory tax rate primarily due to tax expense of $0.9 million for non-deductible executive compensation and $0.4 million in tax differential on income subject to both U.S. and foreign taxes, which were partially offset by a $0.4 million decrease in the valuation allowance against our deferred income tax assets.

The effective income tax expense rate for fiscal 2022 of 16.5% was lower than the statutory tax rate primarily due to a $2.8 million decrease in the valuation allowance against our deferred income tax assets and a $0.6 million benefit for share-based compensation deductions in excess of the corresponding book expense. These tax benefits were partially offset by tax expense of $1.2 million for non-deductible executive compensation.

We are subject to the anti-deferral provisions on Global Intangible Low-Taxed Income (GILTI) under the Tax Cut and Jobs Act of 2017. We have elected to treat taxes due on future U.S. inclusions in taxable income related to GILTI as a current period expense when incurred (the Period Cost Method). We recorded no income tax expense in fiscal 2024, income tax expense of $0.2 million in fiscal 2023, and an insignificant amount of income tax expense in fiscal 2022 under the GILTI provisions.

The significant components of our deferred tax assets and liabilities were as follows (in thousands):

| AUGUST 31, | 2024 | 2023 |
|---|---|---|
| *Deferred income tax assets:* | | |
| Stock-based compensation | $ 3,760 | $ 4,222 |
| Net operating loss carryforward | 3,447 | 6,505 |
| Foreign income tax credit carryforward | - | 4,253 |
| Deferred revenue | 2,970 | 1,677 |
| Capitalized development costs | 2,156 | 1,236 |
| Bonus and other accruals | 1,317 | 1,517 |
| Sale and financing of corporate headquarters | 1,041 | 1,899 |
| Inventory and bad debt reserves | 923 | 1,094 |
| Self-constructed tangible assets | 404 | - |
| Other | 174 | 458 |
| Total deferred income tax assets | 16,192 | 22,861 |
| Less: valuation allowance | (2,467) | (1,313) |
| Net deferred income tax assets | 13,725 | 21,548 |
| *Deferred income tax liabilities:* | | |
| Intangibles step-ups – indefinite lived | (5,433) | (5,522) |
| Intangibles step-ups – finite lived | (1,873) | (2,541) |
| Self-constructed tangible assets | - | (5,476) |
| Intangible asset amortization | (4,217) | (4,189) |
| Deferred commissions | (3,827) | (3,598) |
| Unremitted earnings of foreign subsidiaries | (505) | (521) |
| Property and equipment depreciation | (132) | (80) |
| Total deferred income tax liabilities | (15,987) | (21,927) |
| Net deferred income taxes | $ (2,262) | $ (379) |

Deferred income tax amounts are recorded as follows in our consolidated balance sheets (in thousands):

| AUGUST 31, | 2024 | 2023 |
|---|---|---|
| Long-term assets | $ 870 | $ 1,661 |
| Long-term liabilities | (3,132) | (2,040) |
| Net deferred income tax liability | $ (2,262) | $ (379) |

Our U.S. federal net operating loss carryforwards were comprised of the following at August 31, 2024 (in thousands):

| Loss Carryforward for Year Ended | Loss Carryforward Expires August 31, | Amount | Loss Deductions in Prior Years | Loss Deductions in Current Year | Operating Loss Carried Forward |
|---|---|---|---|---|---|
| *Acquired NOL - Jhana* | | | | | |
| December 31, 2015 | 2034 | $ 1,491 | $ (1,491) | $ - | $ - |
| December 31, 2016 | 2035 | 3,052 | (909) | (215) | 1,928 |
| July 15, 2017 | 2036 | 1,117 | - | - | 1,117 |
| | | 5,660 | (2,400) | (215) | 3,045 |
| *Acquired NOL - Strive* | | | | | |
| December 31, 2018 | No Expiration | 947 | (947) | - | - |
| December 31, 2019 | No Expiration | 869 | (869) | - | - |
| December 31, 2020 | No Expiration | 1,133 | (160) | (840) | 133 |
| April 25, 2021 | No Expiration | 553 | - | - | 553 |
| | | 3,502 | (1,976) | (840) | 686 |
| | | | | | |
| August 31, 2022 | No Expiration | 40,996 | (27,787) | (13,209) | - |
| | | $ 50,158 | $ (32,163) | $ (14,264) | $ 3,731 |

We have U.S. state net operating loss carryforwards generated in fiscal 2009 and before in various jurisdictions that expire primarily between September 1, 2024 and August 31, 2029. The U.S. state net operating loss carryforwards generated in fiscal 2017 and fiscal 2018 primarily expire on August 31, 2037 and 2038, respectively. The state net operating loss carryforwards acquired through the purchase of Jhana stock expire between August 31, 2035 and August 31, 2036. The state net operating loss carryforwards acquired through the purchase of Strive stock expire between August 31, 2040 and August 31, 2041. The state net operating loss carryforwards generated in fiscal 2022 primarily expire on August 31, 2042.

During fiscal 2024 we utilized $4.5 million in U.S. foreign income tax credit carryforwards from prior years and $1.1 million in foreign tax credits generated during fiscal 2024. As of August 31, 2024, we have no remaining U.S. foreign tax credit carryforwards.

The valuation allowance against our deferred income tax assets at August 31, 2021 related primarily to the U.S. foreign tax credit carryforward from fiscal 2011, which we expected to expire in fiscal 2022, and losses of certain foreign subsidiaries. During fiscal 2022 we were able to utilize the U.S. foreign tax credit carryforward from 2011. The remaining valuation allowance at August 31, 2022 related primarily to the losses of certain foreign subsidiaries. During fiscal 2023 we reversed the valuation allowance for certain foreign subsidiaries and increased the valuation allowance for certain other foreign subsidiaries, for a net decrease in our total valuation allowance. During fiscal 2024 we decreased the valuation allowance for a certain foreign subsidiary and increased the valuation allowance for certain other foreign subsidiaries, for a net increase in our total valuation allowance. The remaining valuation allowance at August 31, 2024 relates primarily to the losses of certain foreign subsidiaries which we expect will expire unused.

Activity in our deferred income tax asset valuation allowance was as follows for the periods indicated (in thousands):

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Beginning balance | $ 1,313 | $ 1,685 | $ 4,530 |
| Charged to costs and expenses | 1,250 | 212 | 683 |
| Deductions | (96) | (584) | (3,528) |
| Ending balance | $ 2,467 | $ 1,313 | $ 1,685 |

Except for the deferred tax assets subject to valuation allowances, we have determined that projected future taxable income is adequate to allow for realization of all deferred tax assets. We considered sources of taxable income, including reversals of taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, and reasonable, practical tax-planning strategies to generate additional taxable income. Based on the factors described above, we concluded that realization of our deferred tax assets, except those subject to the valuation allowances described above, is more likely than not at August 31, 2024.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in thousands):

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Beginning balance | $ 1,618 | $ 1,597 | $ 1,594 |
| Additions based on tax positions related to the current year | 491 | 188 | 77 |
| Additions for tax positions in prior years | 73 | 290 | 207 |
| Reductions for tax positions of prior years resulting from the lapse of applicable statute of limitations | (255) | (186) | - |
| Other reductions for tax positions of prior years | (288) | (271) | (281) |
| Ending balance | $ 1,639 | $ 1,618 | $ 1,597 |

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $1.3 million at each of August 31, 2024 and 2023. Included in the ending balance of gross unrecognized tax benefits at August 31, 2024 is $1.0 million related to individual states' net operating loss carryforwards. Interest and penalties related to uncertain tax positions are recognized as components of income tax expense. The net accruals and reversals of interest and penalties had an insignificant effect on our income tax expense in fiscal 2024 and increased our income tax expense by $0.1 million in each of fiscal 2023 and 2022. The balance of interest and penalties included in other long-term liabilities on our consolidated balance sheets was $0.4 million at each of August 31, 2024 and 2023. During the next 12 months, we expect an immaterial change in unrecognized tax benefits.

We file United States federal income tax returns as well as income tax returns in various states and foreign jurisdictions. The tax years that remain subject to examinations for our major tax jurisdictions are shown below.

| | |
|---|---|
| 2017-2024 | Australia, Canada, and Japan |
| 2016-2024 | China |
| 2019-2024 | Germany, Switzerland, and Austria |
| 2020-2024 | United Kingdom, Singapore |
| 2020-2024 | United States – state and local income tax |
| 2021-2024 | United States – federal income tax |

## 15. EARNINGS PER SHARE

The following schedule shows the components of the calculation of our earnings per share (EPS) for the periods indicated (in thousands, except per-share amounts).

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Numerator for basic and diluted earnings per share:** | | | |
| Net income | $ 23,402 | $ 17,781 | $ 18,430 |
| **Denominator for basic and diluted earnings per share:** | | | |
| Basic weighted average shares outstanding | 13,171 | 13,640 | 14,147 |
| Effect of dilutive securities: | | | |
| Stock-based compensation awards | 301 | 659 | 408 |
| Diluted weighted average shares outstanding | 13,472 | 14,299 | 14,555 |
| **EPS Calculations:** | | | |
| Net income per share: | | | |
| Basic | $ 1.78 | $ 1.30 | $ 1.30 |
| Diluted | 1.74 | 1.24 | 1.27 |

## 16. SEGMENT INFORMATION

### Reportable Segments

Our sales are primarily comprised of training and consulting services and our internal reporting structure is comprised of three reportable operating segments and a corporate services group. Our internal reporting structure and reportable segments are organized primarily around the client channels which produce the Company's revenues. The following is a brief description of our reportable segments:

***Direct Offices* –** This segment includes our sales personnel that serve the United States and Canada; our international sales offices that serve clients in Japan, China, the United Kingdom, Ireland, Australia, New Zealand, Germany, Switzerland, and Austria; our governmental sales channel; our coaching operations; and our books and audio sales channel.

***International Licensees* –** This segment is primarily comprised of our international licensees' royalty revenues.

***Education Practice* –** This group includes our domestic and international Education practice operations, which are focused on sales to educational institutions.

***Corporate and Other* –** Our corporate and other information includes royalty revenue from Franklin Planner Corporation, leasing activities, shipping and handling revenues, and certain corporate administrative expenses.

We have determined that the Company's chief operating decision maker is the CEO, and the primary measurement tool used in business unit performance analysis is Adjusted EBITDA, which may not be calculated as similarly titled amounts reported by other companies. For reporting purposes, we define Adjusted EBITDA as net income or loss excluding the impact of interest, income taxes, intangible asset amortization, depreciation, stock-based compensation expense, and certain other items such as adjustments to the fair value of expected contingent consideration liabilities arising from business acquisitions, and other unusual or infrequent items.

Our operations are not capital intensive and we do not own any manufacturing facilities or equipment. Accordingly, we do not allocate assets to the divisions for analysis purposes. Interest expense and interest income are primarily generated at the corporate level and are not allocated. Income taxes are likewise calculated and paid on a corporate level (except for entities that operate in foreign jurisdictions) and are not allocated for analysis purposes.

We account for our segment information on the same basis as the accompanying consolidated financial statements (in thousands).

| ***Fiscal Year Ended August 31, 2024*** | Sales to External Customers | Gross Profit | Adjusted EBITDA |
|---|---|---|---|
| Enterprise Division: | | | |
| Direct offices | $ 197,610 | $ 162,430 | $ 50,376 |
| International licensees | 11,229 | 9,971 | 5,647 |
| | 208,839 | 172,401 | 56,023 |
| Education Division | 73,519 | 47,149 | 9,522 |
| Corporate and eliminations | 4,875 | 1,522 | (10,272) |
| Consolidated | $ 287,233 | $ 221,072 | $ 55,273 |
| | | | |
| ***Fiscal Year Ended August 31, 2023*** | | | |
| Enterprise Division: | | | |
| Direct offices | $ 194,021 | $ 156,915 | $ 44,198 |
| International licensees | 11,645 | 10,507 | 5,874 |
| | 205,666 | 167,422 | 50,072 |
| Education Division | 69,736 | 44,418 | 7,426 |
| Corporate and eliminations | 5,119 | 1,650 | (9,432) |
| Consolidated | $ 280,521 | $ 213,490 | $ 48,066 |
| | | | |
| ***Fiscal Year Ended August 31, 2022*** | | | |
| Enterprise Division: | | | |
| Direct offices | $ 183,845 | $ 148,051 | $ 37,497 |
| International licensees | 10,551 | 9,382 | 4,964 |
| | 194,396 | 157,433 | 42,461 |
| Education Division | 61,852 | 41,206 | 8,408 |
| Corporate and eliminations | 6,593 | 3,273 | (8,672) |
| Consolidated | $ 262,841 | $ 201,912 | $ 42,197 |

A reconciliation of Adjusted EBITDA to consolidated net income is provided below (in thousands):

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Segment Adjusted EBITDA | $ 65,545 | $ 57,498 | $ 50,869 |
| Corporate expenses | (10,272) | (9,432) | (8,672) |
| Consolidated Adjusted EBITDA | 55,273 | 48,066 | 42,197 |
| Stock-based compensation | (10,142) | (12,520) | (8,286) |
| Increase in contingent consideration liabilities | - | (7) | (68) |
| Restructuring costs | (3,008) | (565) | - |
| Impaired asset | (928) | - | - |
| Depreciation | (3,905) | (4,271) | (4,903) |
| Amortization | (4,248) | (4,342) | (5,266) |
| Income from operations | 33,042 | 26,361 | 23,674 |
| Interest income | 1,123 | 1,091 | 65 |
| Interest expense | (1,119) | (1,583) | (1,675) |
| Income before income taxes | 33,046 | 25,869 | 22,064 |
| Provision for income taxes | (9,644) | (8,088) | (3,634) |
| Net income | $ 23,402 | $ 17,781 | $ 18,430 |

**Disaggregated Revenue**

Our revenues are derived primarily from the United States. However, we also operate directly-owned offices or contract with licensees to provide our services in various countries throughout the world. Our consolidated revenues were derived from the following countries/regions (in thousands):

| YEAR ENDED AUGUST 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Americas | $ 242,494 | $ 233,479 | $ 218,863 |
| Asia Pacific | 26,845 | 28,640 | 26,835 |
| Europe/Middle East/Africa | 17,894 | 18,402 | 17,143 |
| | $ 287,233 | $ 280,521 | $ 262,841 |

The following table presents our revenue disaggregated by our significant revenue generating activities. Sales of services and products include training and consulting services and related products such as training manuals. Subscription sales include revenues from our subscription services such as the All Access Pass and *Leader in Me* membership. We receive royalty revenue from our international licensees and from other sources such as book publishing arrangements. Corporate royalties are amounts received from Franklin Planner Co. pursuant to a licensing arrangement obtained in fiscal 2020. Leases and other revenue is primarily comprised of lease revenues from sub-leases for space at our corporate headquarters campus and from shipping and handling revenues (in thousands).

| *Fiscal Year Ended August 31, 2024* | | Services and Products | | Subscriptions | | Royalties | | Leases and Other | | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|
| Enterprise Division: | | | | | | | | | | |
| Direct offices | $ | 89,774 | $ | 105,071 | $ | 2,765 | $ | - | $ | 197,610 |
| International licensees | | 411 | | 1,245 | | 9,573 | | - | | 11,229 |
| | | 90,185 | | 106,316 | | 12,338 | | - | | 208,839 |
| Education Division | | 28,347 | | 41,605 | | 3,567 | | - | | 73,519 |
| Corporate and eliminations | | - | | - | | 1,252 | | 3,623 | | 4,875 |
| Consolidated | $ | 118,532 | $ | 147,921 | $ | 17,157 | $ | 3,623 | $ | 287,233 |
| | | | | | | | | | | |
| *Fiscal Year Ended August 31, 2023* | | | | | | | | | | |
| Enterprise Division: | | | | | | | | | | |
| Direct offices | $ | 93,700 | $ | 97,992 | $ | 2,329 | $ | - | $ | 194,021 |
| International licensees | | 428 | | 1,327 | | 9,890 | | - | | 11,645 |
| | | 94,128 | | 99,319 | | 12,219 | | - | | 205,666 |
| Education Division | | 26,803 | | 39,662 | | 3,271 | | - | | 69,736 |
| Corporate and eliminations | | - | | - | | 1,250 | | 3,869 | | 5,119 |
| Consolidated | $ | 120,931 | $ | 138,981 | $ | 16,740 | $ | 3,869 | $ | 280,521 |
| | | | | | | | | | | |
| *Fiscal Year Ended August 31, 2022* | | | | | | | | | | |
| Enterprise Division: | | | | | | | | | | |
| Direct offices | $ | 93,324 | $ | 88,055 | $ | 2,466 | $ | - | $ | 183,845 |
| International licensees | | 429 | | 1,281 | | 8,841 | | - | | 10,551 |
| | | 93,753 | | 89,336 | | 11,307 | | - | | 194,396 |
| Education Division | | 25,134 | | 34,037 | | 2,681 | | - | | 61,852 |
| Corporate and eliminations | | - | | - | | 1,194 | | 5,399 | | 6,593 |
| Consolidated | $ | 118,887 | $ | 123,373 | $ | 15,182 | $ | 5,399 | $ | 262,841 |

Inter-segment sales were immaterial for the periods presented and were eliminated in consolidation.

**Other Geographic Information**

At August 31, 2024, we had wholly owned direct offices that serve clients in Australia, New Zealand, China, Japan, the United Kingdom, Ireland, Germany, Switzerland, and Austria.  Our long-lived assets, excluding intangible assets and goodwill, were held in the following locations for the periods indicated (in thousands):

| AUGUST 31, | | 2024 | | 2023 |
|---|---|---|---|---|
| United States/Canada | $ | 28,552 | $ | 25,538 |
| China | | 1,860 | | 1,504 |
| Japan | | 831 | | 1,024 |
| United Kingdom | | 712 | | 782 |
| Australia | | 230 | | 100 |
| Germany, Switzerland, and Austria | | 115 | | 223 |
| | $ | 32,300 | $ | 29,171 |

## 17. RELATED PARTY TRANSACTIONS

### CoveyLink Worldwide, LLC

We previously acquired the assets of CoveyLink Worldwide, LLC (CoveyLink). CoveyLink conducts training and provides consulting based upon the content found in the books *The Speed of Trust* and *Trust & Inspire*, which are authored by Stephen M.R. Covey, who is the brother of one of our executive officers.

Prior to the acquisition date, CoveyLink had granted us a non-exclusive license for content related to *The Speed of Trust* book and derivative works such as *Trust & Inspire*, and related training courses for which we paid CoveyLink specified royalties. As part of the CoveyLink acquisition, we signed an amended and restated license for intellectual property that granted us an exclusive, perpetual, worldwide, transferable, royalty-bearing license to use, reproduce, display, distribute, sell, prepare derivative works of, and perform the licensed material in any format or medium and through any market or distribution channel. We are required to pay Stephen M.R. Covey royalties for the use of certain intellectual property developed by him. The amount expensed for these royalties totaled $1.7 million in each of the fiscal years ended August 31, 2024 and 2023, and $1.8 million during the fiscal 2022. As part of the acquisition of CoveyLink, we signed an amended license agreement as well as a speaker services agreement. Based on the provisions of the speakers' services agreement, we pay Stephen M.R. Covey a portion of the speaking revenues received for his presentations. We expensed $1.0 million, $1.4 million, and $0.8 million for payment on these presentations during the fiscal years ended August 31, 2024, 2023 and 2022. We had $0.3 million accrued for these royalties and speaking fees at each of August 31, 2024 and 2023, which were included as components of accrued liabilities on our consolidated balance sheets.

### Other Related Party Transactions

We pay an executive officer of the Company a percentage of the royalty proceeds received from the sales of certain books authored by him in addition to his annual salary. During each of the fiscal years ended August 31, 2024, 2023, and 2022, we expensed $0.1 million for these royalties. We had $0.1 million accrued to this executive officer at each of August 31, 2024 and 2023, respectively, as payable under the terms of these arrangements. These amounts are included as components of accrued liabilities in our consolidated balance sheets.

We pay a company owned by the brother of a member of our executive management team for the production of video segments used in our offerings. During the fiscal years ended August 31, 2024, 2023, and 2022 we paid an insignificant amount, $0.2 million, and $0.3 million to this company for services provided.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

***Disclosure Controls and Procedures***

Disclosure controls and procedures are designed with the objective of ensuring that information required to be disclosed in the Company's reports filed under the Exchange Act, such as this report, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed with the objective of ensuring that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

***Evaluation of Disclosure Controls and Procedures***

An evaluation was conducted under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of the end of the period covered by this report.

Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

***Management's Report on Internal Control Over Financial Reporting***

The management of Franklin Covey Co. is responsible for establishing and maintaining adequate internal control over financial reporting for the Company (including its consolidated subsidiaries) and all related information appearing in the Company's Annual Report on Form 10-K. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

2. provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of management and/or of our Board of Directors; and

3. provide reasonable assurance regarding the prevention or timely detection of any unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth in *Internal Control—Integrated Framework* as issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO Framework). Based upon this evaluation, our management concluded that our internal control over financial reporting was effective as of the end of the period covered by this Annual Report on Form 10-K.

Our independent registered public accounting firm, Deloitte & Touche LLP, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued an audit report, included herein, on the effectiveness of our internal control over financial reporting. Their report is included in Item 8 of this Annual Report on Form 10-K.

***Changes in Internal Control Over Financial Reporting***

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f)) during the fourth quarter ended August 31, 2024 that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**ITEM 9B. OTHER INFORMATION**

During the three months ended August 31, 2024, none of our directors or officers adopted or terminated a "Rule 10-b5-1 trading arrangement" or "non-Rule 10-b5-1 trading arrangement" as each term is identified in Item 408 of Regulation S-K.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not Applicable.

## PART III

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Certain information required by this Item is incorporated by reference to the sections entitled "Nominees for Election to the Board of Directors," "Delinquent Section 16(a) Reports," "Corporate Governance," and "Board of Director Committees and Meetings" in our definitive Proxy Statement for the annual meeting of shareholders, which is scheduled to be held on January 24, 2025. The definitive Proxy Statement will be filed with the SEC pursuant to Regulation 14A of the Exchange Act. Executive officer biographies may be found in Item 1, under the section entitled "Information About Our Executive Officers," of this Annual Report on Form 10-K.

The Board of Directors has determined that two of the Audit Committee members, Mr. Donald J. McNamara and Mr. Efrain Rivera, are "financial experts" as defined in Regulation S-K 407(d)(5) adopted under the Securities Exchange Act of 1934, as amended. Our Board of Directors has also determined that Mr. McNamara and Mr. Rivera are "independent directors" as defined by the NYSE.

We have adopted a code of ethics for our senior financial officers that include the Chief Executive Officer, the Chief Financial Officer, and other members of our financial leadership team. This code of ethics is available on our website at www.franklincovey.com. We intend to satisfy any disclosure requirements under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of this Code of Business Conduct and Ethics by posting such information on our web site at the address and location specified above.

We have adopted an Insider Trading Policy governing transactions in our securities by our directors, officers, associates, and contract personnel that our management believes is reasonably designed to promote compliance with insider trading laws, rules, and regulations, and applicable listing standards of the NYSE. The foregoing summary of the Insider Trading Policy does not purport to be complete and is qualified in its entirety by reference to the full text of the Insider Trading Policy attached hereto as Exhibit 19.

## ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the sections entitled "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation," and "Compensation Committee Report" in our definitive Proxy Statement for the annual meeting of shareholders, which is scheduled to be held on January 24, 2025.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

***Securities Authorized for Issuance Under Equity Compensation Plans***

| Plan Category | [a] Number of securities to be issued upon exercise of outstanding options, warrants, and rights | [b] Weighted-average exercise price of outstanding options, warrants, and rights | [c] Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column [a]) |
|---|---|---|---|
| | (in thousands) | | (in thousands) |
| Equity compensation plans approved by security holders | 905[1][2] | $ - | 996[3][4] |

(1) Excludes 23,136 shares of unvested stock awards that are subject to forfeiture.

(2) Amount includes 905,231 performance share awards that may be awarded under the terms of various long-term incentive plans, including stock-based compensation plans associated with the acquisition of Strive in fiscal 2021. The number of shares eventually awarded to participants through some of our long-term incentive plans is variable and based upon the achievement of specified financial goals. For performance-based compensation awards where the number of shares may fluctuate within a range based on the achievement of the specified goal, this amount includes the maximum number of shares that may be awarded to participants. The actual number of shares issued to participants therefore, may be less than the amount disclosed. At August 31, 2024 we did not have any unexercised stock options outstanding. For further information on our stock-based compensation plans, refer to the notes to our financial statements as presented in Item 8 of this report.

(3) Amount is comprised of the remaining shares authorized under our 2022 Omnibus Incentive Plan and 2017 Employee Stock Purchase Plan. The number of performance-based plan shares expected to be awarded at August 31, 2024 may change in future periods based upon the achievement of specified goals and revisions to estimates.

(4) At August 31, 2024, we had approximately 689,000 shares authorized for purchase by participants in our Employee Stock Purchase Plan.

***Beneficial Ownership of Company Stock***

The remaining information required by this Item is incorporated by reference to the section entitled "Principal Holders of Voting Securities" in our definitive Proxy Statement for the annual meeting of shareholders, which is scheduled to be held on January 24, 2025.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to the section entitled "Certain Relationships and Related Transactions" and "Corporate Governance" in our definitive Proxy Statement for the annual meeting of shareholders, which is scheduled to be held on January 24, 2025.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item is incorporated by reference to the section entitled “Principal Accountant Fees” in our definitive Proxy Statement for the annual meeting of shareholders, which is scheduled to be held on January 24, 2025.

## PART IV

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) List of documents filed as part of this report:

1. *Financial Statements.* The consolidated financial statements of the Company and Report of Independent Registered Public Accounting Firm thereon included in the Annual Report to Shareholders on Form 10-K for the year ended August 31, 2024, are as follows:

    Report of Independent Registered Public Accounting Firm

    Consolidated Balance Sheets at August 31, 2024 and 2023

    Consolidated Income Statements and Statements of Comprehensive Income for the fiscal years ended August 31, 2024, 2023, and 2022

    Consolidated Statements of Cash Flows for the fiscal years ended August 31, 2024, 2023, and 2022

    Consolidated Statements of Shareholders’ Equity for the fiscal years ended August 31, 2024, 2023, and 2022

    Notes to Consolidated Financial Statements

2. *Financial Statement Schedules.*

    Other financial statement schedules are omitted because they are not required or applicable, or the required information is shown in the financial statements or notes thereto, or contained in this report.

3. *Exhibit List.*

| Exhibit No. | Exhibit | Incorporated By Reference | Filed Herewith |
|---|---|---|---|
| 2.1 | Stock Purchase Agreement by and among the stockholders of Strive Talent, Inc., William James Houghteling as the Stockholder Representative, and Franklin Covey Client Sales, dated as of April 26, 2021 | (16) | |
| 3.1 | Articles of Restatement dated March 4, 2005 amending and restating the Company's Articles of Incorporation | (4) | |
| 3.2 | Amendment to Amended and Restated Articles of Incorporation of Franklin Covey | (6) | |
| 3.3 | Amended and Restated Bylaws of Franklin Covey Co. | (8) | |
| 4.1 | Specimen Certificate of the Registrant's Common Stock, par value $.05 per share | (2) | |
| 4.2 | Stockholder Agreements, dated May 11, 1999 and June 2, 1999 | (3) | |
| 4.3 | Registration Rights Agreement, dated June 2, 1999 | (3) | |
| 4.4 | Description of Securities Registered Under Section 12 of the Exchange Act | (13) | |
| 10.1* | Forms of Nonstatutory Stock Options | (1) | |
| 10.2 | Master Lease Agreement, dated June 17, 2005, between Franklin SaltLake LLC (Landlord) and Franklin Development Corporation (Tenant) | (5) | |
| 10.3 | Purchase and Sale Agreement and Escrow Instructions between Levy Affiliated Holdings, LLC (Buyer) and Franklin Development Corporation (Seller) and Amendments | (5) | |
| 10.4 | Asset Purchase Agreement by and Among Covey/Link, LLC, CoveyLink Worldwide LLC, Franklin Covey Co., and Franklin Covey Client Sales, Inc. dated December 31, 2008 | (7) | |
| 10.5 | Amended and Restated License of Intellectual Property by and Among Franklin Covey Co. and Covey/Link, LLC, dated December 31, 2008 | (7) | |
| 10.6* | Form of Change in Control Severance Agreement | (9) | |
| 10.7* | Franklin Covey Co. 2017 Employee Stock Purchase Plan | (10) | |
| 10.8* | Franklin Covey Co. 2019 Omnibus Incentive Plan | (11) | |
| 10.9 | Credit Agreement by and among JPMorgan Chase Bank, N.A., Franklin Covey Co., and the subsidiary guarantors party thereto, dated August 7, 2019 | (12) | |
| 10.10 | Pledge and Security Agreement by and between JPMorgan Chase Bank, N.A., Franklin Covey Co., and the subsidiary guarantors party thereto, dated August 7, 2019 | (12) | |
| 10.11 | First Modification Agreement by and among JPMorgan Chase Bank, N.A., Franklin Covey Co., and the subsidiary guarantors signatory thereto, dated July 8, 2020 | (14) | |
| 10.12 | Separation Agreement and General Release between Scott J. Miller and Franklin Covey Co., dated November 2, 2020 | (15) | |
| 10.13 | Independent Contractor Agreement between Scott J. Miller and Franklin Covey Co., dated November 1, 2020 | (15) | |
| 10.14 | Intellectual Property Agreement between Scott J. Miller and Franklin Covey Co., dated November 1, 2020 | (15) | |
| 10.15 | Consent and Second Modification Agreement by and among JPMorgan Chase Bank, N.A., Franklin Covey Co., and the subsidiary guarantors signatory thereto, dated April 26, 2021 | (16) | |
| 10.16* | Franklin Covey Co. 2022 Omnibus Incentive Plan | (17) | |
| 10.17 | Credit Agreement by and between KeyBank National Association and Franklin Covey Co., dated March 27, 2023 | (18) | |

| | | | |
|---|---|---|---|
| 10.18 | Security Agreement by and among KeyBank National Association and the subsidiary guarantors party thereto, dated March 27, 2023 | (18) | |
| 19 | Insider Trading Policy | | ★★ |
| 21 | Subsidiaries of the Registrant | | ★★ |
| 23 | Consent of Independent Registered Public Accounting Firm | | ★★ |
| 31.1 | Rule 13a-14(a) Certification of the Chief Executive Officer | | ★★ |
| 31.2 | Rule 13a-14(a) Certification of the Chief Financial Officer | | ★★ |
| 32 | Section 1350 Certifications | | ★★ |
| 97* | Franklin Covey Co. Incentive Compensation Recovery Policy | | ★★ |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document | | ★★ |
| 101.SCH | Inline XBRL Taxonomy Extension Schema | | ★★ |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase | | ★★ |
| 101.DEF | Inline Taxonomy Extension Definition Linkbase | | ★★ |
| 101.LAB | Inline Taxonomy Extension Label Linkbase | | ★★ |
| 101.PRE | Inline Extension Presentation Linkbase | | ★★ |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) | | ★★ |

(1) Incorporated by reference to Registration Statement on Form S-1 filed with the Commission on April 17, 1992, Registration No. 33-47283.
(2) Incorporated by reference to Amendment No. 1 to Registration Statement on Form S-1 filed with the Commission on May 26, 1992, Registration No. 33-47283.
(3) Incorporated by reference to Schedule 13D (CUSIP No. 534691090 as filed with the Commission on June 14, 1999). Registration No. 005-43123.
(4) Incorporated by reference to Report on Form 8-K filed with the Commission on March 10, 2005.**
(5) Incorporated by reference to Report on Form 8-K filed with the Commission on June 27, 2005.**
(6) Incorporated by reference to the Definitive Proxy Statement on Form DEF 14A (Appendix C) filed with the Commission on December 12, 2005.**
(7) Incorporated by reference to Report on Form 10-Q filed with the Commission on April 9, 2009.**
(8) Incorporated by reference to Report on Form 8-K filed with the Commission on February 1, 2012.**
(9) Incorporated by reference to Report on Form 8-K filed with the Commission on March 14, 2012.**
(10) Incorporated by reference to the Definitive Proxy Statement on Form DEF 14A (Appendix A) filed with the Commission on December 22, 2017.**
(11) Incorporated by reference to the Definitive Proxy Statement on Form DEF 14A (Appendix A) filed with the Commission on December 20, 2018.**
(12) Incorporated by reference to Report on Form 8-K filed with the Commission on August 8, 2019.**
(13) Incorporated by reference to Report on Form 10-K/A filed with the Commission on December 2, 2019.**
(14) Incorporated by reference to Report on Form 8-K filed with the Commission on July 10, 2020.**
(15) Incorporated by reference to Report on Form 8-K filed with the Commission on November 5, 2020.**
(16) Incorporated by reference to Report on Form 8-K filed with the Commission on April 29, 2021.**
(17) Incorporated by reference to Report on Form 8-K filed with the Commission on January 14, 2022.**
(18) Incorporated by reference to Report on Form 8-K filed with the Commission on March 30, 2023.**

★★ Filed herewith and attached to this report.
* Indicates a management contract or compensatory plan or agreement.
** Registration No. 001-11107.

**ITEM 16. FORM 10-K SUMMARY**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 12, 2024.

**FRANKLIN COVEY CO.**

By: /s/ Paul S. Walker
Paul S. Walker
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| **Signature** | **Title** | **Date** |
|---|---|---|
| /s/ Robert A. Whitman<br>Robert A. Whitman | Chairman of the Board of Directors | November 12, 2024 |
| /s/ Anne H. Chow<br>Anne H. Chow | Director | November 12, 2024 |
| /s/ Craig Cuffie<br>Craig Cuffie | Director | November 12, 2024 |
| /s/ Donald J. McNamara<br>Donald J. McNamara | Director | November 12, 2024 |
| /s/ Joel C. Peterson<br>Joel C. Peterson | Director | November 12, 2024 |
| /s/ Nancy Phillips<br>Nancy Phillips | Director | November 12, 2024 |
| /s/ Efrain Rivera<br>Efrain Rivera | Director | November 12, 2024 |
| /s/ Derek van Bever<br>Derek van Bever | Director | November 12, 2024 |
| /s/ Paul S. Walker<br>Paul S. Walker | President, Chief Executive Officer, and Director | November 12, 2024 |
| /s/ Stephen D. Young<br>Stephen D. Young | Chief Financial Officer and Chief Accounting Officer | November 12, 2024 |

# STATEMENT OF COMPANY POLICY
# REGARDING INSIDER TRADING

*This policy applies to all officers, directors, and employees of Franklin Covey Co. and its subsidiaries (collectively the Company) and supersedes all prior insider trading policies*

**Last Update August 30, 2024**

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Under federal securities laws, it is illegal to trade in the Company's securities while in the possession of material nonpublic information about the Company. It is also illegal to disclose or give material nonpublic information to others who may trade on the basis of that information or to advise others how to trade while in possession of material nonpublic information. Any person who possesses material nonpublic information about the Company is deemed to be an "insider." The category of insiders is NOT limited to officers and directors.

Insider trading violations are pursued vigorously by the United States Securities and Exchange Commission (the **SEC**) and the U.S. Attorneys, and such violations are punished severely. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, federal securities laws also impose potential liability on companies and other controlling persons if they fail to take reasonable steps to prevent insider trading by Company personnel. Both the SEC and the New York Stock Exchange (the **NYSE**) are very effective at detecting and pursuing insider trading cases. The SEC has successfully prosecuted cases against employees trading through foreign accounts, trading by family members and friends, and trading involving only a small number of shares.

The Company has adopted this Statement of Company Policy Regarding Insider Trading (the ***Policy Statement***) both to satisfy the Company's obligation to prevent insider trading and to help Company personnel avoid the severe consequences associated with violations of the insider trading laws. This Policy Statement is also intended to prevent even the appearance of improper conduct on the part of anyone employed by or associated with the Company (not just the officers or directors of the Company).

This Policy Statement is divided into two parts: the first part prohibits trading in certain circumstances and applies to all directors, officers, employees, and contract personnel of the Company, and the second part imposes special additional trading restrictions and applies to all (i) directors of the Company, (ii) executive officers of the Company, and (iii) any other persons designated by the Chief Financial Officer as being subject to the Company's pre-clearance procedures, together with their family members (collectively, ***Covered Persons***).

## PART I

### I. APPLICABILITY

This Policy Statement applies to all trading or other transactions, including gifts, in (i) the Company's securities, including common stock, options, and any other securities that the Company may issue, such as preferred stock, notes, bonds, and convertible securities, as well as derivative securities relating to any of the Company's securities, whether or not issued by the Company; and (ii) the securities of certain other companies, including common stock, options, and other securities issued by those companies as well as derivative securities relating to any of those companies' securities, where the person trading used information obtained while working for the Company.

### II. STATEMENT OF POLICY

It is the policy of the Company that no director, officer, or other employee of the Company who is aware of material nonpublic information relating to the Company may, directly or through family members or other persons or entities, (a) buy or sell securities of the Company (other than pursuant to a pre-approved trading plan that complies with SEC Rule 10b5-1), or engage in any other action to take personal advantage of that information, or (b) pass that information on (a **tip**) to others outside the Company, including family, friends and acquaintances. In addition, it is the policy of the Company that no director, officer, or other employee of the Company who, in the course of working for the Company, learns of material nonpublic information about a company with which the Company does business, including a customer or supplier of the Company, may trade in that company's securities until the information becomes public or is no longer material.

***No Exception for Emergencies.*** Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are not excepted from the policy. If the employee, officer, or director has material, nonpublic information, the prohibition still applies. The securities laws do not recognize such mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to high standards of conduct.

***Disclosure of Information to Others*.** The Company is required under Regulation FD of the federal securities laws to avoid the selective disclosure of material nonpublic information. The Company has established procedures for releasing material information in a manner that is designed to achieve broad public dissemination of the information immediately upon its release. Disclosure of such information to anyone outside the Company, including family members and friends, other than in accordance with those procedures is prohibited. You may not pass on to others any inside information about the Company or recommend the purchase or sale of the Company's securities while in the possession of material nonpublic information (even if that information itself is not disclosed). You also may not discuss the Company or its business in an Internet 'chat room' or similar Internet-based forum.

***Contract Personnel (Non-Employees)*.** The Company sometimes utilizes the services of contract personnel who are not employees of the Company. As such, non-employee personnel may have access to material nonpublic information about the Company. The Company expects all such contract personnel to comply with its policies regarding the trading of its securities to the same extent as employees are required to comply with such policies. The Company will take appropriate action against any such personnel and the organizations for which they are employed if there is a failure to comply with the policies of the Company.

***Material Information*.** Insider trading restrictions come into play only if the information you possess is "material." However, the definition of materiality reflects a relatively low threshold. Material information is any information that a reasonable investor would consider important in making a decision to buy, hold, or sell securities. Any information that could be expected to affect the Company's stock price, whether it is positive or negative, should be considered material. Some examples of information that ordinarily would be regarded as material are set forth below but this list is not exhaustive – other information may be deemed material based upon the circumstances:

- Financial information, including, but not limited to, revenue results, operating income or loss, or net income or loss;
- Earnings that are inconsistent with the consensus expectations of the investment community or other earnings guidance, projections, or budgets;
- News about a significant contract or cancellation of an existing significant contract;
- News about significant new services or lines of business;
- The gain or loss of a significant customer or supplier;
- A pending or proposed merger, acquisition, joint venture, or tender offer;
- A pending or proposed acquisition or disposition of a significant asset(s) or group of assets;
- A change in the Company's dividend policy or the declaration of a stock split;
- The implementation, change in, or results of a Company stock purchase program;

- A public or private offering of additional securities, borrowings, credit facilities, or other financing transactions;
- A change in the Board of Directors, senior management, or any other major personnel changes;
- Significant legal exposure due to actual, pending, or threatened litigation; or
- Impending bankruptcy or the existence of significant financial or liquidity problems.

If you are unsure whether information is material, you should consult with the Chief Financial Officer before making any decision to disclose such information or to trade in or recommend securities to which that information relates or assume that the information is material.

***Twenty-Twenty Hindsight*.** Remember, anyone scrutinizing your transactions will be doing so after the fact, with the benefit of 20/20 hindsight. As a practical matter, before engaging in any transaction, you should carefully consider how enforcement authorities and others might view the transaction in hindsight.

***When Information is Considered "Public."*** Insider trading prohibitions come into play only when you possess information that is material and "nonpublic." The fact information has been disclosed to a few members of the public does not make it public for insider trading purposes. Nonpublic information may include:

- Information available to a select group of analysts or brokers or institutional investors;
- Undisclosed facts that are the subject of rumors, even if the rumors are widely circulated; and
- Information that has been entrusted to the Company on a confidential basis until a public announcement of the information has been made and enough time has elapsed for the market to respond to a public announcement of the information.

If you are aware of material nonpublic information, you may not trade until the information has been disclosed broadly to the marketplace (such as by press release or an SEC filing) and the investing public has had time to absorb the information fully. To avoid the appearance of impropriety, as a general rule, **information should not be considered fully absorbed by the marketplace until after the second business day following the release of the information.** If, for example, the Company were to make an announcement on a Monday, you should not trade in the Company's securities until Thursday. If an announcement was made on a Friday, Wednesday generally would be the first eligible trading day after the announcement.

***Transactions by Family Members and Others*.** This insider trading policy also applies to your family members who reside with you, anyone else who lives in your household, and any other person who does not live in your household but whose transactions in Company securities are directed by you or are subject to your influence or control (such as parents or children who consult with you before they trade in Company securities). You are responsible for the transactions of these other persons, and therefore should make them aware of the need to confer with you before they trade in the Company's securities.

***Stock Option Exercises*.** The Company's insider trading policy does not apply to the exercise of an employee stock option, or to the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares subject to an option to satisfy tax withholding requirements. The policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

***Additional Prohibited Transactions.*** The Company considers it improper and inappropriate for any director, officer, or other employee of the Company to engage in short-term or speculative transactions in the Company's securities. **Therefore, it is the Company's policy that directors, officers, and other employees may NOT engage in any of the following transactions:**

a. ***Short Sales.*** Short sales of the Company's securities evidence an expectation on the part of the seller that the securities will decline in value, and therefore signal to the market that the seller has no confidence in the Company or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. For these reasons, short sales of the Company's securities are prohibited by this Policy Statement. In addition, Section 16(c) of the Securities Exchange Act of 1934, as amended (the ***Exchange Act***) prohibits officers and directors from engaging in short sales.

b. ***Publicly-Traded Options.*** A transaction in options is, in effect, a bet on the short-term movement of the Company's stock, and therefore creates the appearance that the director, officer, or employee is trading based on inside information. Transactions in options also may focus the director's, officer's, or employee's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls, or other derivative securities involving the Company, on an exchange or in any other organized market, are prohibited by this Policy Statement. (Option positions arising from certain types of hedging transactions are governed by the section below captioned ***Hedging Transactions***).

c. ***Margin Accounts and Pledges.*** Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in Company securities, directors, officers, and other employees are prohibited from holding Company securities in a margin account or pledging Company securities as collateral for a loan. An exception to this prohibition exists where a person wishes to pledge Company securities as collateral for a loan (not including margin debt) and clearly demonstrates the financial capacity to repay the loan without resorting to the pledged securities. Any director or officer of the Company wishing to enter into such an arrangement must first pre-clear the proposed transaction with the Board of Directors. Any request for pre-clearance of a margin account, pledge, or similar arrangement must be submitted to the Chief Financial Officer for approval at least one week prior to the proposed execution of documents evidencing the proposed transaction and must set forth a justification for the proposed transaction.

***Hedging Transactions.*** Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow a director, officer, or employee to lock in much of the value of their stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the director, officer, or employee to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the director, officer or employee may no longer have the same objectives as the Company's other stockholders. Therefore, the Company discourages its directors, officers, and employees from engaging in such transactions. Any person wishing to enter into such an arrangement must first pre-clear the proposed transaction with the Board of Directors. Any request for pre-clearance of a hedging or similar arrangement must be submitted to the Chief Financial Officer for approval at least one week prior to the proposed execution of documents evidencing the proposed transaction and must set forth a justification for the proposed transaction.

***Post-Termination Transactions***. The Policy Statement continues to apply to your transactions in Company securities even after you have terminated service as an employee, officer, or director of the Company. If you are in possession of material nonpublic information when your service terminates, you may not trade in Company securities until that information has become public or is no longer material.

***Event Specific Black-Outs; Cancellation of Existing Orders***. The Company may, on occasion, engage in a major transaction or experience a significant event which would constitute material inside information. The Company reserves the right to enforce a trading window, and, in its sole discretion, may prohibit you from trading in Company stock during such transaction or event. As such, the Company may require you to cancel existing orders (including good until cancelled orders) and also may instruct your broker to cancel any such orders. Do not assume that the Company will notify you when it believes you are in possession of inside information. The law states that you may not trade while in the possession of inside information. **Ultimately, however, the responsibility for adhering to this Policy Statement and avoiding unlawful transactions rests with the individual employee, officer, or director.**

## III. RULE 10B5-1 PLANS

***Approved 10b5-1 Plan Exception*.** The trading restrictions in this Policy Statement do not apply to transactions under a pre-exiting written plan, contract, instruction, or arrangement under Rule 10b5-1 under the Securities Exchange Act of 1934 (an ***Approved Rule 10b5-1 Plan***) that meets the requirement described in Rule 10b5-1 and the following requirements:

- Any Approved 10b5-1 Plan entered into by a Covered Person has been reviewed and approved by the Chief Financial Officer at least five business days in advance of being entered into (or, if revised or amended, such revisions or amendments have been reviewed and approved by the Chief Financial Officer at least five business days in advance of being entered into);

- it provides that no trades may occur thereunder until expiration of the applicable cooling-off period specified in Rule 10b5-1(c)(ii)(B), and no trades occur until after that time. The appropriate cooling-off period will vary based on the status of the person. For directors and officers, the cooling-off period ends on the later of (x) ninety days after adoption or certain modifications of the 10b5-1 plan; or (y) two business days following disclosure of the Company's financial results in a Form 10-Q or Form 10-K for the quarter in which the 10b5-1 plan was adopted. In no case will the cooling-off period for directors and officers exceed 120 days. For all other persons, if a cooling-off period is required under Rule 10b5-1, the cooling-off period ends 30 days after adoption or modification of the 10b5-1 plan;

- it is entered into in good faith by the person, and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1, at a time when the person was not in possession of material nonpublic information about the Company; and, if the person is a director or officer, the 10b5-1 plan must include representations by the person certifying to that effect;

- it gives a third party the discretionary authority to execute such purchases and sales, outside the control of the person, so long as such third party does not possess any material nonpublic information about the Company; or explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions; and

- it is the only outstanding Approved 10b5-1 Plan entered into by the person (subject to the exceptions set out in Rule 10b5-1(c)(ii)(D)).

No Approved Rule 10b5-1 Plan may be adopted during a blackout period.

If you are considering entering into, modifying, or terminating an Approved 10b5-1 Plan or have any questions regarding Approved Rule 10b5-1 Plans, please contact the Chief Financial Officer. You should consult your own legal and tax advisors before entering into, or modifying or terminating, an Approved 10b5-1 Plan. A trading plan, contract, instruction, or arrangement will not qualify as an Approved 10b5-1 Plan without the prior review and approval of the Chief Financial Officer as described above. Terminations and modifications of Approved Rule 10b5-1 Plans should be reported to the Chief Financial Officer of the Company each quarter to enable such information to be properly disclosed in the Company SEC filings.

## IV. THE PENALTIES

Penalties for trading on or communicating material nonpublic information can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties, and civil enforcement injunctions. Given the severity of the potential penalties, compliance with this Policy Statement is absolutely mandatory.

***Legal Penalties***. A person who violates insider trading laws by engaging in transactions in a company's securities when they have material nonpublic information can be sentenced to a substantial jail term (up to 20 years) and required to pay a criminal penalty of several times the amount of profits gained or losses avoided.

In addition, a person who tips others may also be liable for transactions by the tippees to whom they have disclosed material nonpublic information. Tippers can be subject to the same penalties and sanctions as the tippees, and the SEC has imposed large penalties even when the tipper did not profit from the transaction.

The SEC can also seek substantial civil penalties from any person who, at the time of an insider trading violation, "directly or indirectly controlled the person who committed such violation," which would apply to the Company and/or management and supervisory personnel. Even for violations that result in a small or no profit, the SEC can seek substantial penalties from a company and/or its management and supervisory personnel as controlling persons.

***Company-Imposed Sanctions***. Compliance with the policies of the Company is a condition of continued employment or service with the Company of each employee, officer, and director. An employee's failure to comply with the Company's insider trading policy will subject the employee to Company-imposed sanctions, which may include dismissal for cause, whether or not the employee's failure to comply results in a violation of law. The Company reserves the right to determine, in its own discretion and on the basis of the information available to it, whether this Policy Statement has been violated. The Company may also determine that specific conduct violates this Policy Statement whether or not the conduct also violates the law. It is not necessary for the Company to wait for the filing or conclusion of a civil or criminal action against the alleged violator before taking disciplinary action.

## V. GENERAL

***Company Assistance***. Any person who has a question about this Policy Statement or its application to any proposed transaction may obtain additional guidance from the Company's Chief Financial Officer. In addition, if you have any doubt as to whether you are in possession of material, nonpublic information or whether a trade may otherwise violate this Policy Statement, you should contact the Chief Financial Officer before trading any securities of the Company.

***Other Procedures***. The Company may change these procedures or adopt such other procedures in the future as the Company considers appropriate or advisable in order to carry out the purposes of this insider trading policy or to comply with the federal securities laws. Wherever this Policy refers to, or calls for action by or involving the Company's Chief Financial Officer, such reference shall include the Company's Corporate Controller or such other person as the Chief Financial Officer may designate from time to time, if the Chief Financial Officer is unavailable or otherwise unable to act for any reason.

**Ultimately, however, the responsibility for adhering to this Policy Statement and avoiding unlawful transactions rests with the individual director, officer, or employee.**

***No Third Party Rights***. This Policy Statement is not intended to create any rights in third parties with respect to any violation of its terms and is also not intended to create any legal liability for the Company or any employee, officer, or director beyond those for which they are already responsible under applicable securities laws.

***Certifications***. All employees, officers, and directors must certify their understanding of, and intent to comply with, this Policy Statement. A copy of the certification that all employees must sign is attached to this Policy Statement as Exhibit A. Please return an executed copy of the attached certification immediately. Directors, executive officers, and certain key employees are also subject to additional restrictions on their transactions in Company securities, which are described in Part II of this Policy Statement. Directors, executive officers, and such key employees subject to the additional restrictions should sign the certification attached as Exhibit B in addition to the one attached as Exhibit A.

## PART II

### I. PRE-CLEARANCE PROCEDURES

To help prevent inadvertent violations of the federal securities laws and to avoid even the appearance of trading on inside information, no Covered Persons may engage in any transaction involving the Company's securities (including a stock plan transaction such as an option exercise, gift, loan, or pledge or hedge, contribution to a trust, or any other transfer) without first obtaining pre-clearance of the transaction from the Chief Financial Officer. **A request for pre-clearance should be submitted to the Chief Financial Officer at least two business days in advance of the proposed transaction, unless earlier notice is otherwise required by the Policy Statement (*e.g.*, one week for hedging transactions)**. The Chief Financial Officer is under no obligation to approve a trade submitted for pre-clearance, and may in his or her sole discretion, determine not to permit the trade.

Any person subject to the pre-clearance requirements who wishes to implement a trading plan under SEC Rule 10b5-1 must first pre-clear the plan with the Chief Financial Officer and comply with Part I, Section III above and Part II, Section II below regarding 10b5-1 plans. Transactions effected pursuant to a pre-cleared trading plan will not require further pre-clearance at the time of the transaction if the plan complies with the requirements of SEC Rule 10b5-1 and Part II, Section II below, including specifying the dates, prices, and amounts of the contemplated trades, or establishes a formula for determining the dates, prices, and amounts.

### II. BROKER INTERFACE PROCEDURES

The accelerated reporting obligations for Section 16 filings require a tight interface with brokers handling transactions for the Company's executives. The Company requires that all directors and Section 16 officers provide a copy of this Policy Statement to their broker and such broker must agree that they:

(a) Will not enter any orders for you (except for orders under pre-approved Rule 10b5-1 plans) without first:

(1) verifying with the Company that your transaction was pre-cleared; and

(2) complying with the brokerage firm's compliance procedures (e.g., Rule 144).

(b) Report any transactions immediately to the Chief Financial Officer of the Company via:

(1) telephone; and

(2) in writing via e-mail to the Chief Financial Officer, describing the details of every transaction involving Company stock, including gifts, transfers, pledges, and all Rule 10b5-1 transactions.

### III. BLACKOUT PERIODS

(a) ***Quarterly Blackout Periods*.** The Company's announcement of its quarterly or annual financial results almost always has the potential to have a material effect on the market for the Company's securities. Therefore, to avoid even the appearance of trading while aware of material nonpublic information, persons who are or may be expected to be aware of the Company's quarterly financial results generally will not be pre-cleared to trade in the Company's securities during the period beginning on the day after the last calendar day of the last month of each fiscal quarter and ending after the second full business day following the earlier of the Company's (1) issuance of its quarterly earnings release, or (2) filing of its Form 10-Q or Form 10-K (as applicable). Persons subject to these quarterly blackout periods include all directors and executive officers, the Corporate Controller of the Company, and all other persons who are informed by the Chief Financial Officer that they are subject to the quarterly blackout periods. The Chief Financial Officer and the Chief Executive Officer shall meet at least annually or at such more frequent intervals as they deem advisable to establish those employees subject to this trading window requirement.

The Company may on occasion issue interim earnings guidance or other potentially material information by means of a press release, a Form 8-K filed with the SEC, or by other means designed to achieve widespread dissemination of the information. You should anticipate that trades are unlikely to be pre-cleared while the Company is in the process of assembling the information to be released and until the information has been released and fully absorbed by the market.

(b) ***Event-Specific Blackout Periods***. From time to time, an event may occur that is material to the Company and is known by only a few directors or employees. So long as the event remains material and nonpublic, directors, executive officers, and such other persons as are designated by the Chief Financial Officer may not trade in the Company's securities. The existence of an event-specific blackout will not be announced, other than to those who are aware of the event giving rise to the blackout. If, however, a person whose trades are subject to pre-clearance requests permission to trade in the Company's securities during an event-specific blackout, the Chief Financial Officer will inform the requester of the existence of a blackout period, without disclosing the reason for the blackout. Any person made aware of the existence of an event-specific blackout should not disclose the existence of the blackout to any other person. The failure of the Chief Financial Officer to designate a person as being subject to an event-specific blackout will not relieve that person of the obligation not to trade while aware of material nonpublic information.

(c) ***Hardship Exceptions*****.** A person who is subject to a quarterly earnings blackout period and who has an unexpected and urgent need to sell Company stock in order to generate cash may, in appropriate and very limited rare circumstances, be permitted to sell Company stock even during the blackout period. A hardship exception may be granted only by the Audit Committee, at its sole discretion, and such exception must be requested at least two business days in advance of the proposed trade. A hardship exception may be granted only if the Audit Committee concludes that the Company's earnings information for the applicable quarter does not constitute material nonpublic information or if the Company does not have sufficient insight as to the Company's earnings information as of that time. It is highly unlikely that a hardship exception will be granted, and under no circumstance will a hardship exception be granted during an event-specific blackout period.

Exhibit A

**CERTIFICATION**

I hereby certify that:

1. I have read and understand Statement of Company Policy Regarding Insider Trading dated August 30, 2024 (the ***Policy Statement***). I understand that the Chief Financial Officer and the outside legal counsel of Franklin Covey Co. (the ***Company***) are available to answer any questions I have regarding the Policy Statement.

2. I agree that I will comply with the Policy Statement for as long as I am subject to the Policy Statement.

3. I agree that the Company may at any time and in its sole discretion issue a prohibition on trading in Company securities and that the Company shall have full power and authority to cancel any outstanding orders, including "good until cancelled" orders, that I may place, but that I have the sole responsibility for compliance with the Policy Statement. I further agree and represent that I will never trade in Company securities while I am in possession of material nonpublic information regarding the Company.

4. This certification constitutes consent for the Company to issue any necessary stop-transfer orders to the Company's transfer agent to enforce compliance with this Policy Statement.

Signature:

Print Name:

Date:

<u>Exhibit B</u>

**CERTIFICATION**
**(For Executive Officers, Directors and Certain Key Employees)**

I hereby certify that:

1. I have read and understand Statement of Company Policy Regarding Insider Trading dated August 30, 2024 (the ***Policy Statement***). I understand that the Chief Financial Officer and the outside legal counsel of Franklin Covey Co. (the ***Company***) are available to answer any questions I have regarding the Policy Statement.

2. I agree that I will comply with the Policy Statement for as long as I am subject to such policy.

3. **I understand that all of my trades must be preapproved by the Company's Chief Financial Officer or such other person as the Company may designate from time to time.**

4. I agree that the Company may at any time and in its sole discretion issue a prohibition on trading in Company securities and that the Company shall have full power and authority to cancel any outstanding orders, including "good until cancelled" orders, that I may place, but I understand that I have the sole responsibility for compliance with the Policy Statement. I further agree and represent that I will never trade in Company securities while I am in possession of material nonpublic information regarding the Company.

5. This certification constitutes consent for the Company to issue any necessary stop-transfer orders to the Company's transfer agent to enforce compliance with the Policy Statement.

Signature:

Print Name:

Date:

FRANKLIN COVEY CO.
Subsidiaries

Domestic:
Franklin Development Corporation (a Utah corporation)
Franklin Covey Travel, Inc. (a Utah corporation)
Franklin Covey Client Sales, Inc. (a Utah corporation)

International:
Franklin Covey Canada, Ltd.  (a Canada corporation)
Franklin Covey Europe, Ltd. (England, Wales)
Franklin Covey Leadership Limited (Ireland)
Franklin Covey Proprietary Limited (Queensland, Australia)
Franklin Covey Japan Co. Ltd. (Japan)
Franklin Covey de Mexico, S. de R.L. de C.V. (Mexico)
Franklin Covey International Pte. Ltd. (Singapore)
Franklin Covey Business Consulting Shanghai Ltd. (China)
Franklin Covey Business Consultation Beijing Ltd. (China)
Franklin Covey (Shenzhen) Ltd. (China)
Shen Zhen Covey Enterprise Management & Consulting Ltd. (China)
Franklin Covey Germany GmbH (Germany)
Franklin Covey Switzerland GmbH (Switzerland)
Franklin Covey Austria GmbH (Austria)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements Nos. 333-128131 and 333-89541 on Forms S-3 and Registration Statements Nos. 333-262526, 333-229363, 333-218391, 333-201679, 33-73624 and 33-51314 on Forms S-8 of our reports dated November 12, 2024, relating to the financial statements of Franklin Covey Co., and the effectiveness of Franklin Covey Co.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended August 31, 2024.

/s/ Deloitte & Touche LLP

Salt Lake City, Utah
November 12, 2024

**Exhibit 31.1**

**SECTION 302 CERTIFICATION**

I, Paul S. Walker, certify that:

1. I have reviewed this yearly report on Form 10-K of Franklin Covey Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024

/s/ Paul S. Walker
Paul S. Walker
Chief Executive Officer

**Exhibit 31.2**

**SECTION 302 CERTIFICATION**

I, Stephen D. Young, certify that:

1. I have reviewed this yearly report on Form 10-K of Franklin Covey Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date November 12, 2024

/s/ Stephen D. Young
Stephen D. Young
Chief Financial Officer

**Exhibit 32**

# CERTIFICATION

In connection with the yearly report of Franklin Covey Co. (the "Company") on Form 10-K for the period ended August 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), we, Paul S. Walker, President and Chief Executive Officer of the Company, and Stephen D. Young, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

| | |
|---|---|
| /s/ Paul S. Walker | /s/ Stephen D. Young |
| Paul S. Walker | Stephen D. Young |
| Chief Executive Officer | Chief Financial Officer |
| Date: November 12, 2024 | Date: November 12, 2024 |

# FRANKLIN COVEY CO.

## INCENTIVE COMPENSATION RECOVERY POLICY

### 1. Introduction.

The Board of Directors of Franklin Covey Co. (the Company) believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability, and that reinforces the Company's compensation philosophy. The Board has therefore adopted this policy, which provides for the recovery of erroneously awarded incentive compensation in the event that the Company is required to prepare an accounting restatement due to material noncompliance with any financial reporting requirements under the federal securities laws, including errors in the application of accounting principles generally accepted in the United States (the Policy). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the Exchange Act), related rules and the listing standards of the New York Stock Exchange (the NYSE), or any other securities exchange on which the Company’s shares are listed in the future.

### 2. Administration.

This Policy shall be administered by the Board or, if so designated by the Board, the Organization and Compensation Committee (the Committee), in which case, all references herein to the Board shall be deemed references to the Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

### 3. Covered Executives.

Unless and until the Board determines otherwise, for purposes of this Policy, the term “Covered Executive” means a current or former employee who is or was identified by the Company as the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller and vice president of global accounting), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (including any executive officer of the Company’s subsidiaries or affiliates) who performs similar policy-making functions for the Company. “Policy-making function” excludes policy-making functions that are not significant to the Company’s operations. “Covered Executives” will include, at minimum, the executive officers identified by the Company pursuant to Item 401(b) of Regulation S-K of the Exchange Act. For the avoidance of doubt, “Covered Executives” will include at least the following Company officers: the Chief Executive Officer, President, Chief Financial Officer, Chief Accounting Officer, President of the Enterprise Division, President of the Education Division, Chief People Officer, and Chief Operations Officer.

This Policy covers Incentive Compensation received by a person after beginning service as a Covered Executive and who served as a Covered Executive at any time during the performance period for that Incentive Compensation.

### 4. Recovery: Accounting Restatement.

In the event of an Accounting Restatement, the Company will recover reasonably promptly any excess Incentive Compensation received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, including transition periods resulting from a change in the Company’s fiscal year as provided in Rule 10D-1 of the Exchange Act. Incentive Compensation is deemed “received” in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period.

(a) Definition of Accounting Restatement.

For the purposes of this Policy, an "Accounting Restatement" means the Company is required to prepare an accounting restatement of its financial statements filed with the Securities and Exchange Commission (the SEC) due to the Company's material noncompliance with any financial reporting requirements under the federal securities laws (including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period).

The determination of the time when the Company is required to prepare an Accounting Restatement shall be made in accordance with applicable SEC and NYSE rules and regulations.

An Accounting Restatement does not include situations in which financial statement changes did not result from material non-compliance with financial reporting requirements, such as, but not limited to retrospective: (i) application of a change in accounting principles; (ii) revision to reportable segment information due to a change in the structure of the Company's internal organization; (iii) reclassification due to a discontinued operation; (iv) application of a change in reporting entity, such as from a reorganization of entities under common control; (v) adjustment to provision amounts in connection with a prior business combination; and (vi) revision for stock splits, stock dividends, reverse stock splits or other changes in capital structure.

(b) Definition of Incentive Compensation.

For purposes of this Policy, "Incentive Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure, including, for example, bonuses or awards under the Company's short and long-term incentive plans, grants and awards under the Company's equity incentive plans, and contributions of such bonuses or awards to the Company's deferred compensation plans or other employee benefit plans. Incentive Compensation does not include awards which are granted, earned, and vested without regard to attainment of Financial Reporting Measures, such as time-vesting awards, discretionary awards, and awards based wholly on subjective standards, strategic measures, or operational measures.

(c) Financial Reporting Measures.

"Financial Reporting Measures" are those that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements (including non-GAAP financial measures) and any measures derived wholly or in part from such financial measures. For the avoidance of doubt, Financial Reporting Measures include stock price, performance ratios, and total shareholder return. A measure need not be presented within the financial statements or included in a filing with the SEC to constitute a Financial Reporting Measure for purposes of this Policy.

(d) Excess Incentive Compensation: Amount Subject to Recovery.

The amount(s) to be recovered from the Covered Executive will be the amount(s) by which the Covered Executive's Incentive Compensation for the relevant period(s) exceeded the amount(s) that the Covered Executive otherwise would have received had such Incentive Compensation been determined based on the restated amounts contained in the Accounting Restatement. All amounts shall be computed without regard to taxes paid.

For Incentive Compensation based on Financial Reporting Measures such as stock price or total shareholder return, where the amount of excess compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement, the Board will calculate the amount to be reimbursed based on a reasonable estimate of the effect of the Accounting Restatement on such Financial Reporting Measure upon which the Incentive Compensation was received. The Company will maintain documentation of that reasonable estimate and will provide such documentation to the applicable national securities exchange.

(e) Method of Recovery.

The Board will determine, in its sole discretion, the method(s) for recovering reasonably promptly excess Incentive Compensation hereunder. Such methods may include, without limitation:

(i) requiring reimbursement of compensation previously paid;

(ii) forfeiting any compensation contribution made under the Company's deferred compensation plans, as well as any matching amounts and earnings thereon;

(iii) offsetting the recovered amount from any compensation that the Covered Executive may earn or be awarded in the future (including, for the avoidance of doubt, recovering amounts earned or awarded in the future to such individual equal to compensation paid or deferred into tax–qualified plans or plans subject to the Employee Retirement Income Security Act of 1974 (collectively, Exempt Plans); *provided that,* no such recovery will be made from amounts held in any Exempt Plan of the Company);

(iv) taking any other remedial and recovery action permitted by law, as determined by the Board; or

(v) some combination of the foregoing.

## 5. Recovery: Detrimental Conduct.

In the event the Board makes a good faith determination that a Covered Executive or other Key Employee has engaged in Detrimental Conduct, then the Company may recover all or a portion of their Incentive Compensation, or benefits in which they have become vested under the terms of the Company's Deferred Compensation Plan.

The term Key Employee includes a Covered Executive and member of the Company's Executive Team.

The term 'Detrimental Conduct" means any of the following in relation to the Covered Executive or other Key Employee:

(a) their deliberate and continued failure substantially to perform their duties and responsibilities, which failure has had an adverse effect on the Company;

(b) their knowing and willful violation of any law, government regulation, the Company Code of Conduct or Company policy;

(c) their act of fraud or dishonesty resulting, or intended to result in, their personal enrichment at the expense of the Company; or

(d) their gross misconduct in performance of their duties that results in economic harm to the Company.

## 6. No Indemnification or Advance.

Subject to applicable law, the Company shall not indemnify, including by paying or reimbursing for premiums for any insurance policy covering any potential losses, any Covered Executives against the loss of any erroneously awarded Incentive Compensation, nor shall the Company advance any costs or expenses to any Covered Executives in connection with any action to recover excess Incentive Compensation.

**7. Interpretation**.

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the SEC or any national securities exchange on which the Company's securities are listed.

**8. Effective Date**.

The effective date of this Policy is October 2, 2023 (the Policy Effective Date). This Policy applies to Incentive Compensation received by Covered Executives on or after the Policy Effective Date that results from attainment of a Financial Reporting Measure based on or derived from financial information for any fiscal period ending on or after the Effective Date. Without limiting the scope or effectiveness of this Policy, Incentive Compensation granted or received by Covered Executives prior to the Effective Date remains subject to the Company's prior Clawback Policy as described in the Company's 2022 Proxy Statement as filed with the SEC. In addition, this Policy is intended to be and will be incorporated as an essential term and condition of any Incentive Compensation agreement, plan, or program that the Company establishes or maintains on or after the Effective Date.

**9. Amendment and Termination**.

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect changes in regulations adopted by the SEC under Section 10D of the Exchange Act and to comply with any rules or standards adopted by the NYSE or any other securities exchange on which the Company's shares are listed in the future.

**10. Other Recovery Rights**.

The Board intends that this Policy will be applied to the fullest extent of the law. Upon receipt of this Policy, each Covered Executive is required to complete a Receipt and Acknowledgement attached as Schedule A to this Policy. The Board may require that any employment agreement or similar agreement relating to Incentive Compensation received on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any (i) other remedies or rights of compensation recovery that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, or similar agreement relating to Incentive Compensation, unless any such agreement expressly prohibits such right of recovery, and (ii) any other legal remedies available to the Company. The provisions of this Policy are in addition to (and not in lieu of) any rights to repayment the Company may have under Section 304 of the Sarbanes-Oxley Act of 2002 and other applicable laws.

**11. Impracticability**.

The Company shall recover any excess Incentive Compensation in accordance with this Policy, except to the extent that certain conditions are met and the Board has determined that such recovery would be impracticable, all in accordance with Rule 10D-1 of the Exchange Act and the NYSE or any other securities exchange on which the Company's shares are listed in the future.

**12. Successors**.

This Policy shall be binding upon and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

**Schedule A**

**INCENTIVE-BASED COMPENSATION CLAWBACK POLICY**
**RECEIPT AND ACKNOWLEDGEMENT**

I, ___________________________________________, hereby acknowledge that I have received and read a copy of the Incentive Compensation Recovery Policy. As a condition of my receipt of any Incentive Compensation as defined in the Policy, I hereby agree to the terms of the Policy. I further agree that if recovery of excess Incentive Compensation is required pursuant to the Policy, the Company shall, to the fullest extent permitted by governing laws, require such recovery from me up to the amount by which the Incentive Compensation received by me, and amounts paid or payable pursuant or with respect thereto, constituted excess Incentive Compensation. If any such reimbursement, reduction, cancelation, forfeiture, repurchase, recoupment, offset against future grants or awards and/or other method of recovery does not fully satisfy the amount due, I agree to immediately pay the remaining unpaid balance to the Company.

| | |
|---|---|
| ______________________________ | ______________________________ |
| Signature | Date |