

Investor Update

First Quarter Fiscal 2020



Forward-looking Statements / Non-GAAP

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

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

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

Strong Subscription Growth

All Access Pass
and Related
Sales Grew

22%

Retained

>90%

All Access Pass
Subscription Revenue
for 16th Straight Quarter

Multi-Year All
Access Passes
Increased to

32%

Targets

2022
Reported Adj EBITDA: \$45-50M
Net Cash Generated: \$44-49M

2021
Reported Adj EBITDA: \$36-41M
Net Cash Generated: \$35-39M

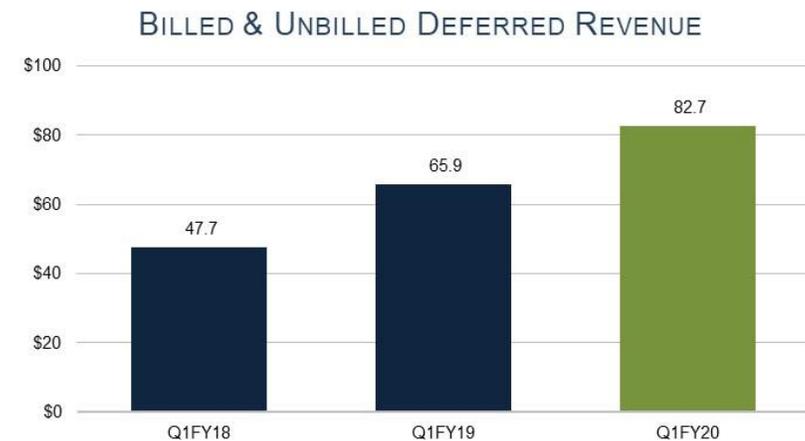
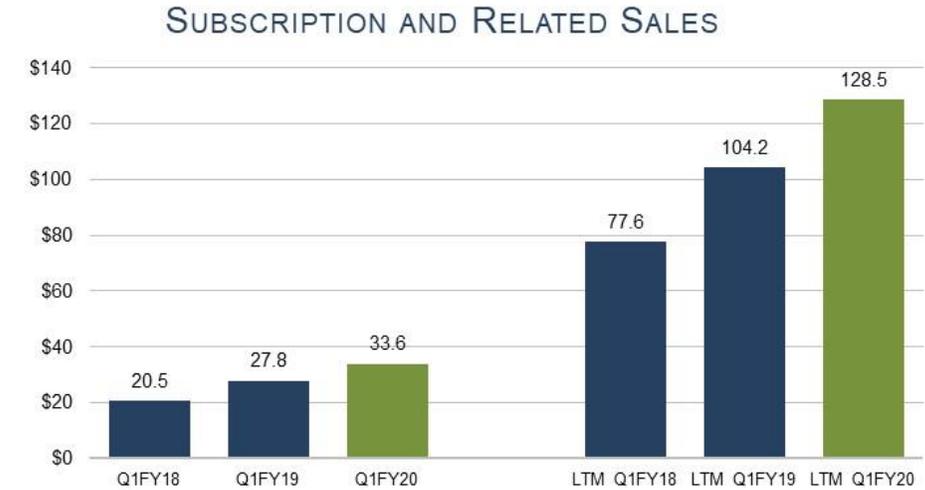
2020
Reported Adj EBITDA: \$27-32M
Net Cash Generated: \$25-30M

2019
Reported Adj EBITDA: \$18-22M
Net Cash Generated: \$18-22M

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

FranklinCovey: Strong Revenue Momentum

(in millions and unaudited)



FranklinCovey – Financial Summary

(in millions and unaudited)

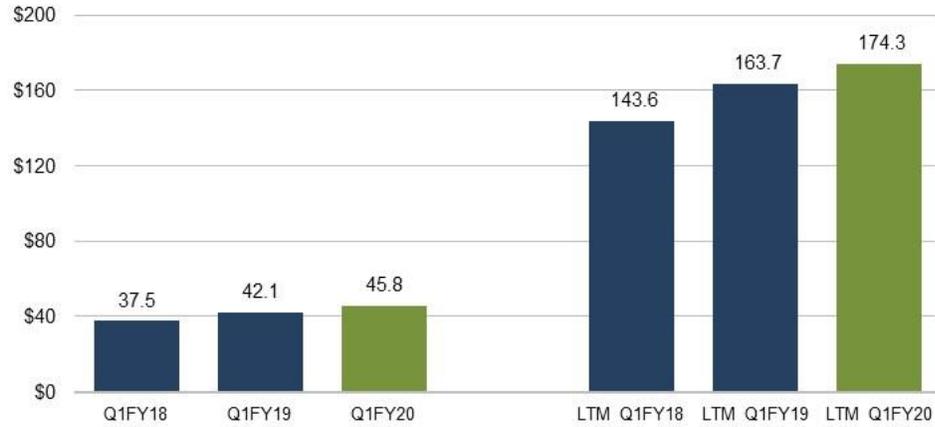
	Q1FY20	Q1FY19	Chg	%	LTM Q1FY20	LTM Q1FY19	Chg	%
Sales	58.6	53.8	4.8	8.9%	230.1	215.7	14.5	6.7%
Cost of Sales	16.6	17.0	(0.5)	-2.7%	65.6	63.5	2.1	3.4%
Gross Profit	42.0	36.8	5.2	14.3%	164.6	152.2	12.4	8.1%
Gross Profit %	71.7%	68.3%	+337 bps		71.5%	70.6%	+93 bps	
Operating SG&A	37.1	33.6	3.5	10.3%	142.2	137.8	4.4	3.2%
Operating SG&A %	63.2%	62.4%	+80 bps		61.8%	63.9%	-211 bps	
Adjusted EBITDA	5.0	3.2	1.8	56.5%	22.4	14.4	8.0	55.1%

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

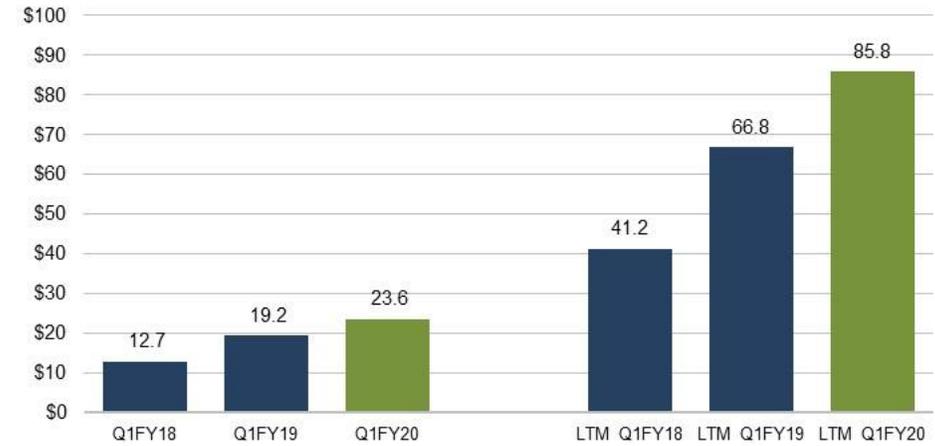
Enterprise: Strong Revenue Momentum

(in millions and unaudited)

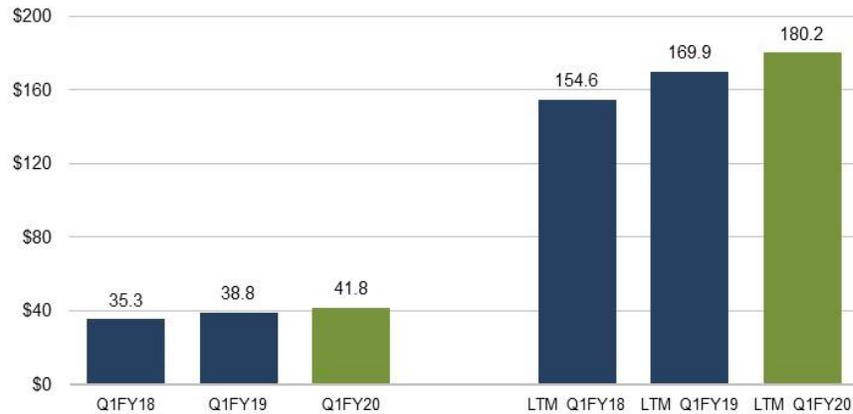
REVENUE



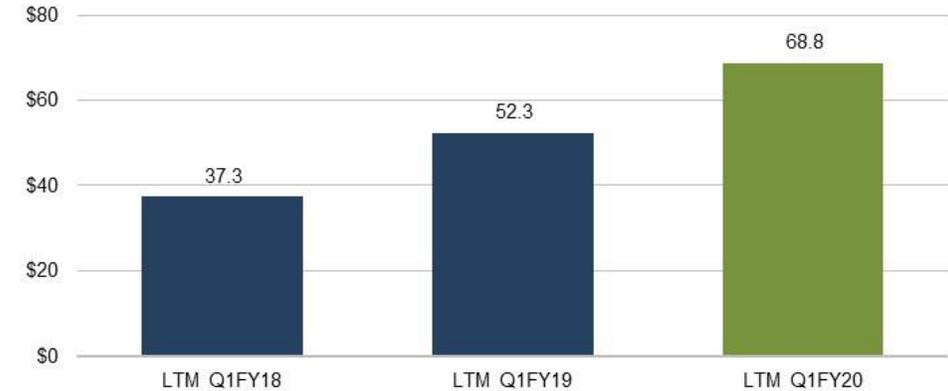
AAP AND RELATED SALES



INVOICED



BILLED & UNBILLED DEFERRED REVENUE



Enterprise Division - Financial Summary

(in millions and unaudited)

	Q1FY20	Q1FY19	Chg	%	LTM Q1FY20	LTM Q1FY19	Chg	%
Sales	45.8	42.1	3.7	8.7%	174.3	163.7	10.6	6.5%
Cost of Sales	11.3	12.2	(0.9)	-7.5%	42.7	42.7	0.0	0.1%
Gross Profit	34.5	29.9	4.6	15.4%	131.6	121.0	10.5	8.7%
Gross Profit %	75.3%	71.0%	+433 bps		75.5%	73.9%	+156 bps	
Operating SG&A	26.8	24.7	2.1	8.6%	103.6	101.2	2.3	2.3%
Operating SG&A %	58.4%	58.5%	-7 bps		59.4%	61.8%	-241 bps	
Adjusted EBITDA	7.7	5.3	2.5	47.0%	28.0	19.8	8.2	41.4%

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

Enterprise Division - Financial Summary

(in millions and unaudited)

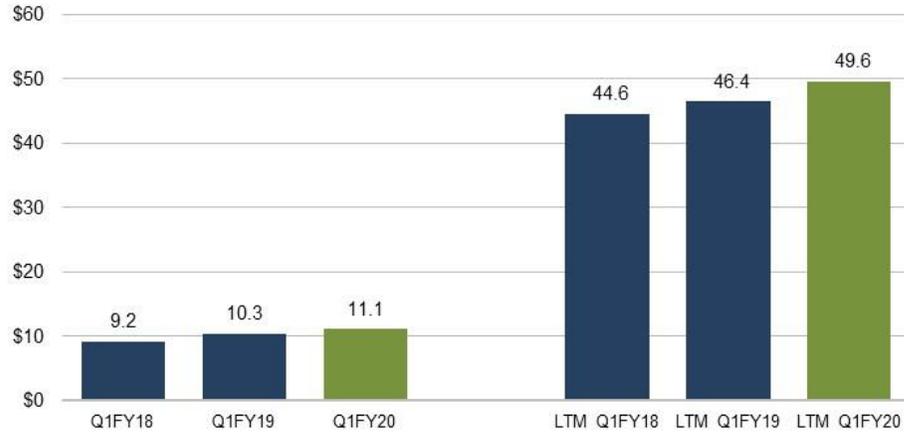


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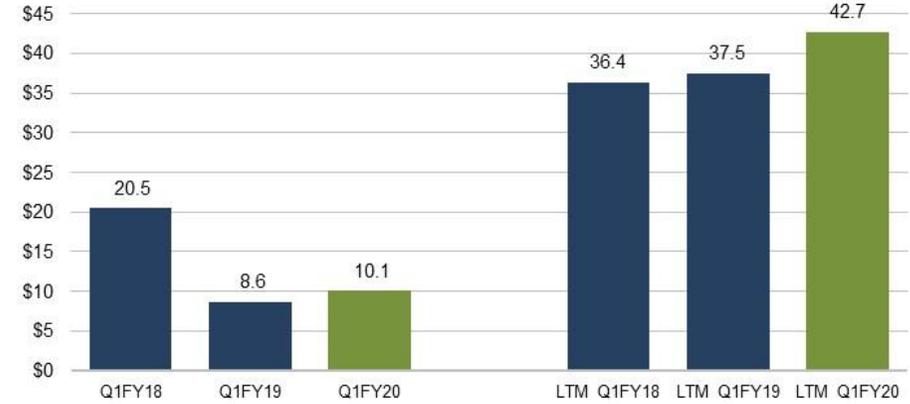
Education: Strong Revenue Momentum

(in millions and unaudited)

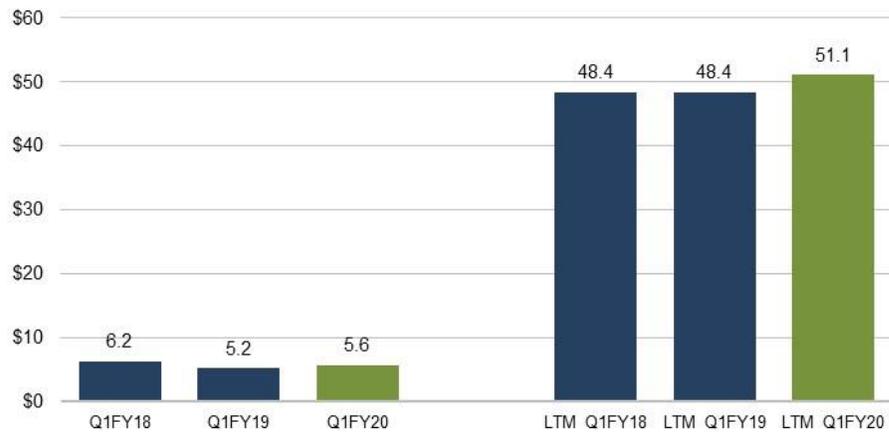
REVENUE



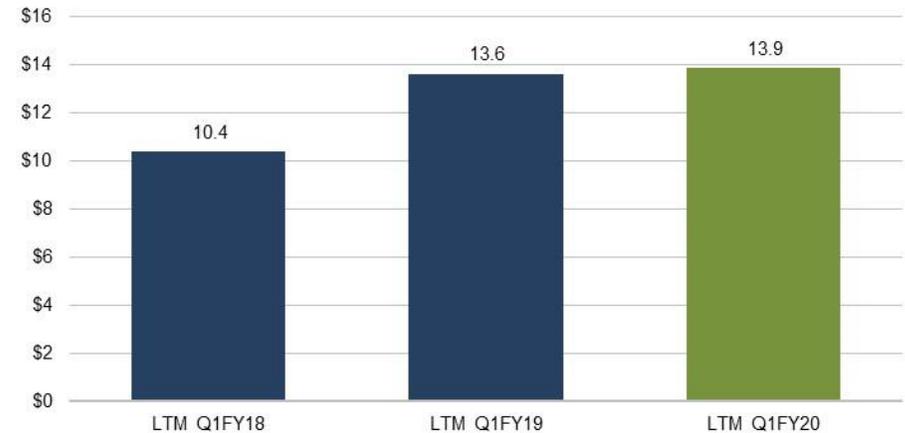
EDUCATION (LIM) SUBSCRIPTION AND RELATED SALES



INVOICED



BILLED & UNBILLED DEFERRED REVENUE



Education Division - Financial Summary

(in millions and unaudited)

	Q1FY20	Q1FY19	Chg	%	LTM Q1FY20	LTM Q1FY19	Chg	%
Sales	11.1	10.3	0.7	7.1%	49.6	46.4	3.2	6.8%
Cost of Sales	4.4	4.0	0.5	11.9%	19.0	16.8	2.2	12.8%
Gross Profit	6.7	6.4	0.3	4.1%	30.6	29.6	1.0	3.4%
Gross Profit %	60.1%	61.8%	-172 bps		61.7%	63.8%	-202 bps	
Operating SG&A	7.8	6.7	1.1	16.5%	27.9	26.3	1.6	6.0%
Operating SG&A %	70.0%	64.3%	+567 bps		56.3%	56.7%	- 42 bps	
Adjusted EBITDA	(1.1)	(0.3)	(0.8)	316.1%	2.7	3.3	(0.6)	-17.4%

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

Four Topics

Topic 1

**GREATEST POINTS
OF LEVERAGE IN
BUSINESS MODEL
ARE DRIVING HIGH
FLOW-THROUGH OF
INCREASED
REVENUE**

Topic 2

**THE STRATEGIC
SPACE IN WHICH WE
PLAY IS VERY
ATTRACTIVE AND
WE ARE WINNING**

Topic 3

**OPPORTUNITIES TO
ACCELERATE
REVENUE GROWTH
IN THE FUTURE**

Topic 4

**UTILIZATION OF
EXCESS CASH**

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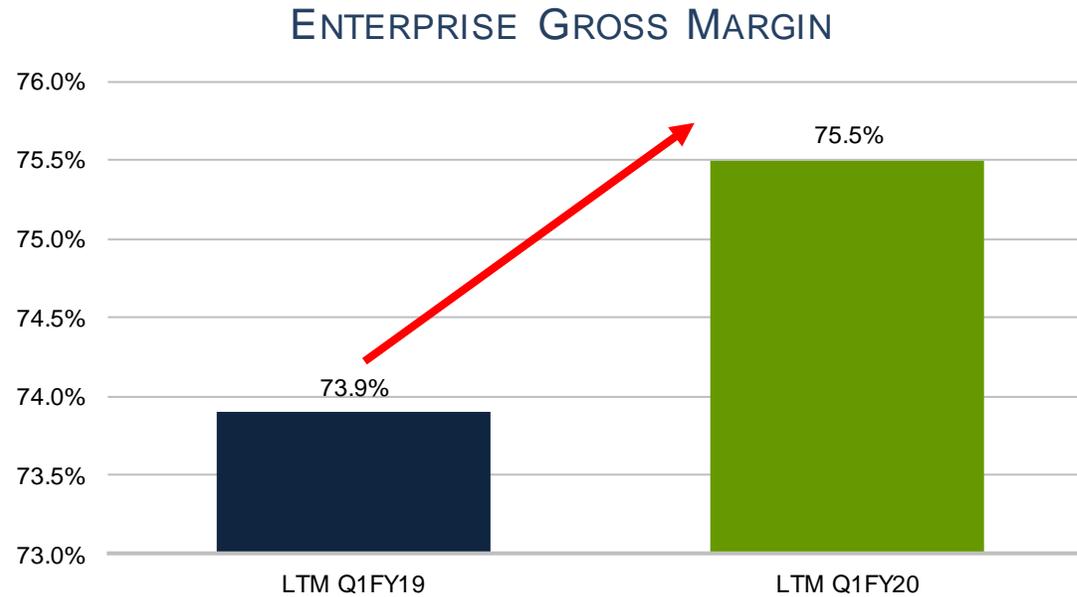
**OPPORTUNITIES TO
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First Point of Leverage: AAP Generating High Gross Margins

(in millions and unaudited)



Second Point of Leverage: AAP & Related Revenue Growing Rapidly

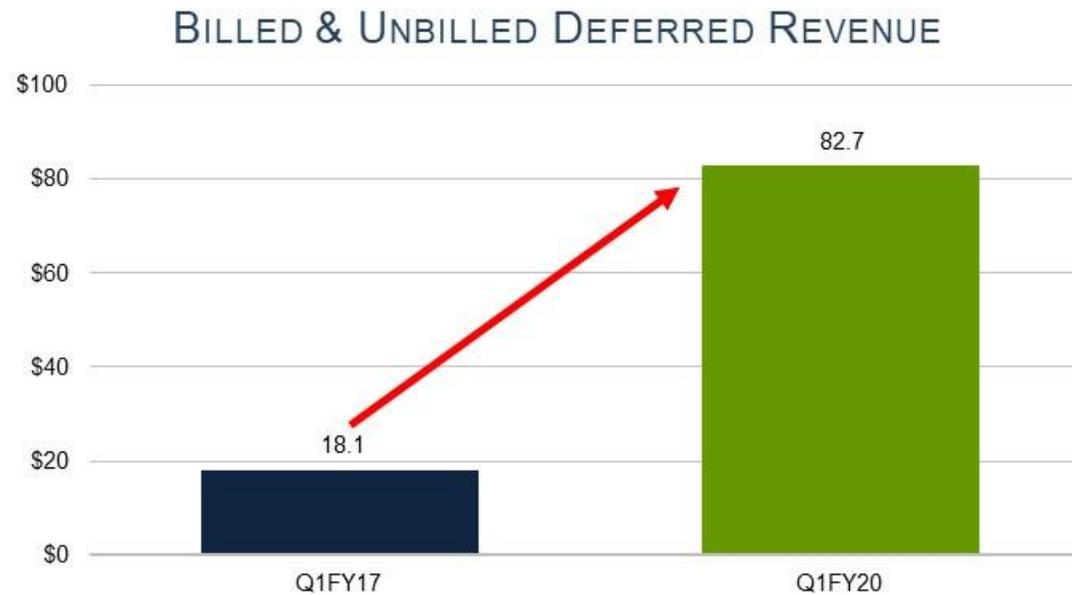
(in millions and unaudited)

Subscription and Subscription Related Sales Information

	<i>LTM Q1FY20</i>	<i>LTM Q1FY19</i>	<i>LTM Q1FY18</i>
AAP Sales	55.7	46.0	26.3
AAP Add on Sales	30.2	20.7	14.9
Total AAP and Related	85.8	66.8	41.2
Percent of AAP and Related Sales to Total Enterprise Sales	49%	41%	29%
Legacy Revenue	52.8	59.5	69.6
International licensees	12.9	13.6	13.5
Other Sales	22.8	23.9	19.4
Total Enterprise Sales	174.3	163.7	143.6

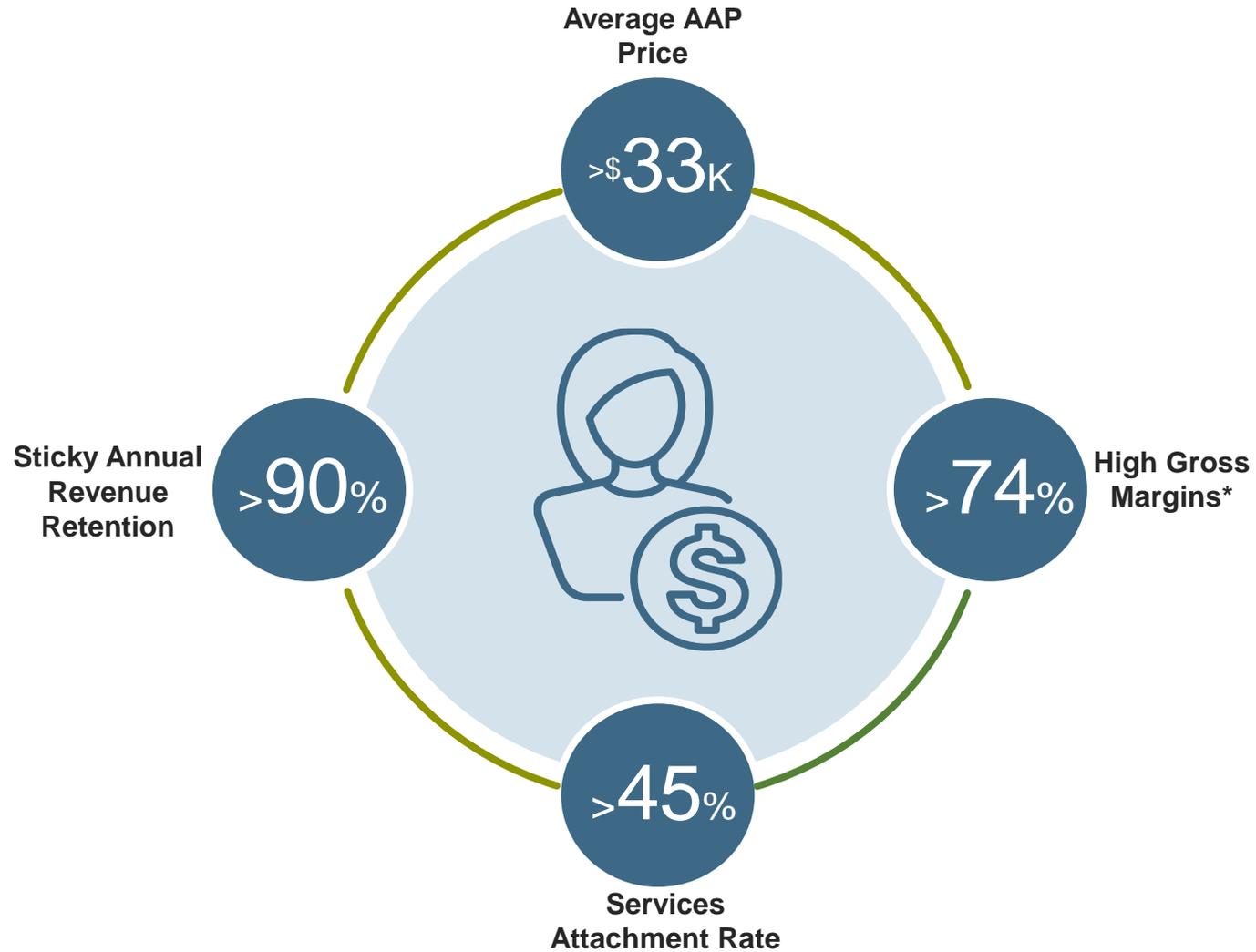
Second Point of Leverage: AAP & Related Revenue Growing Rapidly

(in millions and unaudited)



Third Point of Leverage: AAP Creating High Lifetime Customer Value

(in millions and unaudited)



*Enterprise Division Gross Margin - Blend between Subscription & Services

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Winning in Our Market Space



All Access Pass Solutions



Elements of the All Access Pass Value Proposition

- 1 Access to Franklin Covey's entire collection of best-in-class content.
- 2 Incredible flexibility through an almost limitless combination of delivery modalities.
- 3 Accessed globally in 21 major languages.
- 4 Includes an implementation specialist and a variety of add-on services to drive impact.
- 5 All at a price per person that is equivalent to what is provided by single-modality providers.

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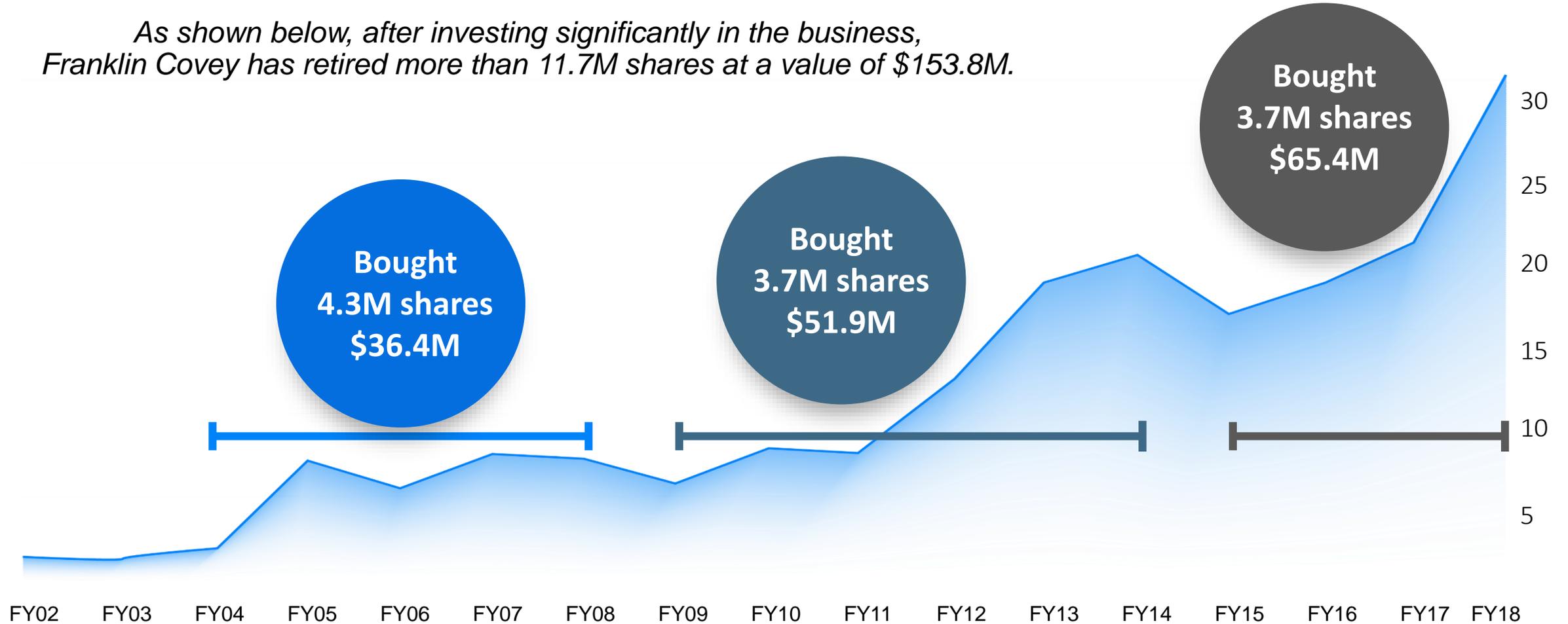
Topic 4

UTILIZATION OF
EXCESS CASH

Capital Allocation

We expected to utilize excess cash to invest in new content, accelerate sales force growth and return capital to shareholders

As shown below, after investing significantly in the business, Franklin Covey has retired more than 11.7M shares at a value of \$153.8M.



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EXCESS CASH**

Appendix

Other Information

OTHER INCOME STATEMENT INFORMATION:

- Depreciation: \$6.4M in FY2019, expected to total approximately \$6.7M in FY2020.
- Amortization: \$5.0M in FY2019, expected to total approximately \$4.6M in FY2020.
- Net Interest and Discount: \$2.1M in FY2019, expected to total approximately \$3.4M in FY2020.
- Share-based Compensation, Impaired Assets, Restructuring, Accrued Earnout and Other: totaling \$6.6M in FY2019; Share-Based Compensation, Impaired Assets, ERP Implementation, Accrued Earnout, Acquisition Costs and Other, expected to total approximately \$8.5M in FY2020.
- Effective Tax Rate: Our normalized effective tax rate is expected to be 26% to 30%, before unusual permanent book/tax differences and benefit of re-measuring deferred taxes. Therefore, the tax rate could be a significantly different percentage, and we are not projecting an FY20 effective rate.

OTHER INFORMATION:

- Capital Expenditures: \$4.2M in FY2019, expected to total approximately \$5.5M to \$6.2M in FY2020.
- Capitalized Curriculum excluding acquired content: \$2.7M in FY2019, expected to total approximately \$6.0M to \$7.0M in FY2020, including localization of AAP content, AAP content development, and Education content development.
- Share Count: 13,830K shares outstanding as of December 31, 2019. The Company's share count may increase due to the vesting and exercise of share-based awards and purchases by Employees under our Employee Stock Purchase Plan, and decrease due to the company buying back shares.
- Number of salespersons: 246 on November 30, 2019; expected to be 270 on August 31, 2020.
- Impact of FX in Q1FY20: decrease to Sales \$.1M; decrease to Adjusted EBITDA \$.1M.

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

FranklinCovey– Contracts Signed

(in thousands and unaudited)

	<u>Enterprise Division</u>				<u>Education Division</u>				<u>Corporate</u>			<u>Total Company</u>			
	FY20	FY19	Change	%	FY20	FY19	Change	%	FY20	FY19	Change	FY20	FY19	Change	%
Current Quarter - Q1															
Sales	45,832	42,148	3,684	8.7%	11,082	10,347	735	7.1%	1,699	1,334	365	58,613	53,829	4,784	8.9%
Change in Deferred Revenue	(4,016)	(3,343)	(673)	20.1%	(5,491)	(5,171)	(320)	6.2%	-	-	-	(9,507)	(8,514)	(993)	11.7%
Invoiced Amounts	41,816	38,805	3,011	7.8%	5,591	5,176	415	8.0%	1,699	1,334	365	49,106	45,315	3,791	8.4%
Change in Unbilled Deferred Revenue	4,328	236	4,092		(288)	(305)	17		-	-	-	4,040	(69)	4,109	
Total Contracts Signed	46,144	39,041	7,103	18.2%	5,303	4,871	432	8.9%	1,699	1,334	365	53,146	45,246	7,900	17.5%

Notes:

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

Sales Information

(in thousands and unaudited)

Sales

Reported Net Sales

Change in Deferred Revenue

Invoiced Amount

Balance Sheet

Roll-Forward of Deferred Revenue

Beginning Balance (deferred revenue)

Subscription Sales

Amounts Recorded to Revenue

Change in Deferred Revenue

FX, 606, and Other Changes

Ending Balance (Def Subscription Revenue)

Unbilled Deferred Contracts

Beginning Balance (off balance sheet)

New Unbilled Contracts

Amounts Invoiced

Ending Balance (off balance sheet)

Breakout of Deferred Sales (above)

Subscription Sales (Invoiced Amounts)

AAP Subscriptions

Education Memberships

Other Subscriptions and Adjustments

Total Additions to balance sheet

	FY18 Information					FY19 Information					FY20
	Q1	Q2	Q3	Q4	YTD Total	Q1	Q2	Q3	Q4	YTD Total	Q1
Reported Net Sales	47,932	46,549	50,461	64,818	209,760	53,829	50,356	56,006	65,165	225,356	58,613
Change in Deferred Revenue	(5,193)	211	2,461	13,925	11,404	(8,514)	(1,795)	349	18,259	8,299	(9,508)
Invoiced Amount	42,739	46,760	52,922	78,743	221,164	45,315	48,561	56,355	83,424	233,655	49,105
Balance Sheet											
Roll-Forward of Deferred Revenue											
Beginning Balance (deferred revenue)	36,397	31,429	32,067	34,521	36,397	48,432	41,375	39,580	39,929	48,432	58,188
Subscription Sales	7,882	13,941	17,324	30,563	69,710	9,798	15,902	19,276	37,848	82,824	11,599
Amounts Recorded to Revenue	(13,075)	(13,730)	(14,863)	(16,638)	(58,306)	(18,312)	(17,697)	(18,927)	(19,589)	(74,525)	(21,107)
Change in Deferred Revenue	(5,193)	211	2,461	13,925	11,404	(8,514)	(1,795)	349	18,259	8,299	(9,508)
FX, 606, and Other Changes	225	427	(7)	(14)	631	1,457	-	-	-	1,457	-
Ending Balance (Def Subscription Revenue)	31,429	32,067	34,521	48,432	48,432	41,375	39,580	39,929	58,188	58,188	48,680
Unbilled Deferred Contracts											
Beginning Balance (off balance sheet)	17,151	16,255	15,463	15,067	17,151	24,495	24,426	24,959	23,744	24,495	29,938
New Unbilled Contracts	1,863	2,149	2,766	13,437	20,215	1,434	4,578	3,534	12,760	22,306	7,030
Amounts Invoiced	(2,759)	(2,941)	(3,162)	(4,009)	(12,871)	(1,503)	(4,045)	(4,749)	(6,566)	(16,863)	(2,990)
Ending Balance (off balance sheet)	16,255	15,463	15,067	24,495	24,495	24,426	24,959	23,744	29,938	29,938	33,978
Breakout of Deferred Sales (above)											
Subscription Sales (Invoiced Amounts)											
AAP Subscriptions	6,822	13,409	11,667	16,895	48,793	8,270	15,070	13,708	21,226	58,274	10,255
Education Memberships	893	159	4,978	13,142	19,172	827	382	5,236	15,406	21,851	1,190
Other Subscriptions and Adjustments	167	373	679	526	1,745	701	450	332	1,216	2,699	154
Total Additions to balance sheet	7,882	13,941	17,324	30,563	69,710	9,798	15,902	19,276	37,848	82,824	11,599

Notes:

- Invoiced Amounts represent the amount billed (invoiced) in the period. The Invoiced Amount is equal to Reported Net Sales, plus the associated change in Deferred Subscription Sales on the balance sheet (adjusted for FX). AAP Subscriptions, Education Memberships, and Other Invoiced Subscriptions are all Invoiced Amounts. Unbilled portions of multi-year agreements are not included.
- The Difference between Change in Deferred Sales, which is added to Reported Net Sales to equal the Invoiced Amount, and the Change in Deferred Sales on the balance sheet is adjustments for FX, acquisitions and other. Q1 of FY2019 also includes the adjustment attributed to the adoption of Topic 606.
- Certain historical amounts have been adjusted by immaterial amounts to conform with the current presentation - including the acquired Jhana Deferred Revenue.
- Deferred Revenue is primarily a current liability. However, a small portion is long-term and recorded as a part of Other Liabilities.

Net Cash Generated as defined below

(in thousands and unaudited)

	Current Quarter		Last 4 Quarters Ended	
	Q1 FY20	Q1 FY19	Q1 FY20	Q1 FY19
Reported Adjusted EBITDA	\$ 4,961	\$ 3,169	\$ 22,398	\$ 14,445
Adjustments				
Change in Deferred Revenue <small>(related to subscription sales)</small>	(9,507)	(8,514)	7,306	8,082
Costs deferred with Deferred Revenue	1,552	858	(1,725)	(1,063)
Amortization of capitalized development	1,029	1,432	4,551	5,435
Purchases of property and equipment	(1,408)	(1,431)	(4,130)	(5,545)
Capitalized curriculum development costs	(458)	(689)	(2,457)	(2,984)
Cash paid for interest	(580)	(651)	(2,315)	(2,692)
Net Cash Generated	<u>\$ (4,411)</u>	<u>\$ (5,826)</u>	<u>\$ 23,628</u>	<u>\$ 15,678</u>

Notes:

- We expect Net Cash Generated in FY2020 (in local currency) to fall within the range of \$25 million to \$30 million.
- Net Cash Generated is a measure used by management to monitor the amount of available cash generated by the operations of the company. Net Cash Generated includes the items listed above and excludes other cash activities shown on the Consolidated Statements of Cash Flows, such as cash paid for taxes, acquisitions, changes in working capital, other SG&A, and payments on term notes and financing obligations.
- Please refer to the Appendix for the definition of Adjusted EBITDA and for the reconciliation of Adjusted EBITDA to Net Income.
- Please also refer to the Condensed Consolidated Statements of Cash Flows for the current quarter.

Reconciliation of Net Income (Loss) to Adjusted EBITDA

(in thousands and unaudited)

	Quarter Ended	
	November 30, 2019	November 30, 2018
Reconciliation of net loss to Adjusted EBITDA:		
Net loss	\$ (544)	\$ (1,357)
Adjustments:		
Interest expense, net	601	604
Income tax provision (benefit)	(216)	100
Amortization	1,170	1,238
Depreciation	1,619	1,554
Stock-based compensation	1,851	946
Increase in contingent consideration liabilities	91	24
Knowledge Capital wind down costs	389	-
Licensee transition costs	-	60
	<u> </u>	<u> </u>
Adjusted EBITDA	<u>\$ 4,961</u>	<u>\$ 3,169</u>
Adjusted EBITDA margin	8.5%	5.9%

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

Additional Financial Information

(in thousands and unaudited)

	Quarter Ended	
	November 30, 2019	November 30, 2018
Sales by Division/Segment:		
Enterprise Division:		
Direct offices	\$ 42,111	\$ 38,471
International licensees	3,721	3,677
	<u>45,832</u>	<u>42,148</u>
Education Division	11,082	10,347
Corporate and other	1,699	1,334
	<u>12,781</u>	<u>11,681</u>
Consolidated	<u>\$ 58,613</u>	<u>\$ 53,829</u>
Gross Profit by Division/Segment:		
Enterprise Division:		
Direct offices	\$ 31,411	\$ 27,070
International licensees	3,120	2,862
	<u>34,531</u>	<u>29,932</u>
Education Division	6,657	6,393
Corporate and other	841	458
	<u>7,498</u>	<u>6,851</u>
Consolidated	<u>\$ 42,029</u>	<u>\$ 36,783</u>
Adjusted EBITDA by Division/Segment:		
Enterprise Division:		
Direct offices	\$ 5,710	\$ 3,640
International licensees	2,035	1,629
	<u>7,745</u>	<u>5,269</u>
Education Division	(1,102)	(265)
Corporate and other	(1,682)	(1,835)
	<u>(2,784)</u>	<u>(2,100)</u>
Consolidated	<u>\$ 4,961</u>	<u>\$ 3,169</u>

Condensed Consolidated Balance Sheets

(in thousands and unaudited)

	November 30, 2019	August 31, 2019		November 30, 2019	August 31, 2019
<u>Assets</u>			<u>Liabilities and Shareholders' Equity</u>		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 32,761	\$ 27,699	Current portion of term notes payable	\$ 5,000	\$ 5,000
Accounts receivable, less allowance for doubtful accounts of \$4,570 and \$4,242	53,195	73,227	Current portion of financing obligation	2,399	2,335
Inventories	3,155	3,481	Accounts payable	6,970	9,668
Prepaid expenses and other current assets	14,092	14,933	Deferred subscription revenue	45,987	56,250
Total current assets	103,203	119,340	Other deferred revenue	6,674	5,972
			Accrued liabilities	16,976	24,319
Property and equipment, net	18,181	18,579	Total current liabilities	84,006	103,544
Intangible assets, net	46,519	47,690			
Goodwill	24,220	24,220	Term notes payable, less current portion	18,750	15,000
Deferred income tax assets	5,158	5,045	Financing obligation, less current portion	16,020	16,648
Other long-term assets	14,010	10,039	Other liabilities	8,800	7,527
	\$ 211,291	\$ 224,913	Deferred income tax liabilities	180	180
			Total liabilities	127,756	142,899
			Shareholders' equity:		
			Common stock	1,353	1,353
			Additional paid-in capital	217,946	215,964
			Retained earnings	58,859	59,403
			Accumulated other comprehensive income	232	269
			Treasury stock at cost, 13,078 and 13,087 shares	(194,855)	(194,975)
			Total shareholders' equity	83,535	82,014
				\$ 211,291	\$ 224,913

Condensed Consolidated Statements of Operations

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

	Quarter Ended	
	November 30, 2019	November 30, 2018
Net sales	\$ 58,613	\$ 53,829
Cost of sales	16,584	17,046
Gross profit	<u>42,029</u>	<u>36,783</u>
Selling, general, and administrative	39,399	34,644
Depreciation	1,619	1,554
Amortization	1,170	1,238
Loss from operations	<u>(159)</u>	<u>(653)</u>
Interest expense, net	(601)	(604)
Loss before income taxes	<u>(760)</u>	<u>(1,257)</u>
Income tax benefit (provision)	216	(100)
Net loss	<u>\$ (544)</u>	<u>\$ (1,357)</u>
Net loss per common share:		
Basic and diluted	\$ (0.04)	\$ (0.10)
Weighted average common shares:		
Basic and diluted	13,982	13,917
Other data:		
Adjusted EBITDA ⁽¹⁾	<u>\$ 4,961</u>	<u>\$ 3,169</u>

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

Cash Flows from Operating Activities

(in thousands and unaudited)

	Quarter Ended	
	November 30, 2019	November 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (544)	\$ (1,357)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,789	2,792
Amortization of capitalized curriculum costs	1,029	1,431
Stock-based compensation expense	1,851	946
Deferred income taxes	(115)	(645)
Change in fair value of contingent consideration liabilities	91	24
Loss on disposal of assets	35	-
Changes in assets and liabilities:		
Decrease in accounts receivable, net	20,090	16,096
Decrease in inventories	328	233
Decrease in prepaid expenses and other assets	656	847
Decrease in accounts payable and accrued liabilities	(9,333)	(5,098)
Decrease in deferred revenue	(9,006)	(7,586)
Increase (decrease) in income taxes payable/receivable	(1,029)	503
Decrease in other long-term liabilities	(6)	(52)
Net cash provided by operating activities	6,836	8,134

Education Gross Sales & Adjusted EBITDA

(in thousands and unaudited)

Sales and profitability in the Education Division are very seasonal. Educators conduct a majority of their training activities during the summer months which correspond with our 4th quarter. Below is a summary of Sales and Adjusted EBITDA for the Education Division. The schedule shows that essentially all of the Education Division's Adjusted EBITDA is generated in the 4th quarter. The division's sales will continue to be slightly less seasonal in the future due to the impact of deferred sales.

	Net Sales								
	Q1		Q2		Q3		Q4		Total
	Amount	%	Amount	%	Amount	%	Amount	%	
FY18	9,176	20.3%	9,007	19.9%	9,235	20.4%	17,854	39.4%	45,272
FY19	10,347	21.2%	9,698	19.8%	11,088	22.7%	17,747	36.3%	48,880
FY20	11,082								

	Adjusted EBITDA				
	Q1	Q2	Q3	Q4	Total
FY18	(842)	(1,151)	(901)	5,604	2,710
FY19	(265)	(909)	(181)	4,908	3,553
FY20	(1,102)				

Results of the 3rd and 4th quarters of fiscal 2018 were negatively impacted by the expiration of a large education foundation contract that had a very positive impact on fiscal 2017 results. Financial results for Q1 and Q4 of FY19 were significantly impacted by the adoption of Topic 606.

Definitions

- “Deferred Revenue” primarily consists of billings or payments received in advance of revenue recognition from subscription services and is recognized as the revenue recognition criteria are met. The Company generally invoices customers in annual installments upon execution of a contract. The deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, contract duration, invoice timing and contract size. When Management refers to Deferred Revenue or the change in Deferred Revenue it is primarily referring to the subscription related portion and not the customer deposits and other portions.
- “Unbilled Deferred Revenue” is an operational measure that represents future billings under our non-cancelable subscription agreements that have not been invoiced and, accordingly are not recorded in our recognized revenue or deferred revenue.
- “Operating SG&A” is non-GAAP financial measure. It generally excludes stock-based compensation, changes to contingent earn-out liability and unusual or one-time charges. See the Reconciliation of Net Income or Loss to Adjusted EBITDA in additional financial information.
- “Contracted” is the sum of Invoiced Amounts plus the Change in Unbilled Deferred Revenue (not recorded on the balance sheet) and, as the term reflects represents, the total amount of contracts with customers that were entered into during the period.
- “Sales Flow-Through” is the year-over-year change in Adjusted EBITDA divided by the year-over-year change in sales.
- Constant Currency: Franklin Covey presents constant currency information to provide a framework for assessing how our underlying business performed excluding the effect of foreign currency rate fluctuations. There are several approaches that an entity can take to calculate constant currency information and Franklin Covey’s method may not be consistent with another entity’s constant currency calculation. To calculate this measure, FranklinCovey converts the actual monthly results of our foreign operations, including the results of our International Licenses, into \$USD at the respective prior year monthly exchange rate. The non-GAAP measure should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with generally accepted accounting principles (GAAP).

Definitions

- “Adjusted EBITDA” (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. A reconciliation of “Adjusted EBITDA,” to consolidated net income (loss), the most comparable GAAP financial measure is provided within this presentation. The Company references this non-GAAP financial measure in its decision making because it provides supplemental information that facilitates consistent internal comparisons to the historical operating performance of prior periods and the Company believes it provides investors with greater transparency to evaluate operational activities and financial results. We are unable to provide a reconciliation of forward-looking estimates of non-GAAP Adjusted EBITDA to GAAP measures because certain information needed to make a reasonable forward-looking estimate is difficult to estimate and dependent on future events which may be uncertain or out of our control, including the amount of AAP contracts invoiced, the number of AAP contracts that are renewed, necessary costs to deliver our offerings such as unanticipated content development costs, and other potential variables. Accordingly, a reconciliation is not available without unreasonable effort.
- “Invoiced” is the sum of reported Net Sales plus the change in Deferred Revenue reported on the balance sheet (a portion of which is recorded as a current liability and a portion as a long-term liability and represents the amount of billings during the period). We typically invoice our customers annually upon execution of the contract or subscription renewals. Our clients frequently prepay for products and services, which prepayment is included in amounts invoiced and corresponding Deferred Revenue.
- Client Partner Ramp is the expected amount of invoiced amounts the Company expects its client partners to generate based upon the length of time the client partner has been in a sales role. This metric measures client partners who are currently employed by the Company and does not subtract any accounts that are transitioned to a client partner from a previous client partner.