

Greatness Starts Here

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



FranklinCovey™



Investor Update

First Quarter Fiscal Year 2023



Forward-Looking Statements/Non-GAAP



This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon management's current expectations and are subject to various risks and uncertainties including, but not limited to: The ability of the Company to stabilize and grow revenues; The acceptance of, and renewal rates for our subscription offerings, including the All Access Pass and Leader in Me memberships; The duration and recovery from the COVID-19 pandemic; The ability of the Company to hire productive sales professionals; General economic conditions; Competition in the Company's targeted marketplace; Market acceptance of new offerings or services and marketing strategies; Changes in the Company's market share; Changes in the size of the overall market for the Company's products; Changes in the training and spending policies of the Company's clients, and other factors identified and discussed in the Company's most recent Annual Report on Form 10-K and other periodic reports filed with the Securities and Exchange Commission. Many of these conditions are beyond our control or influence, any one of which may cause future results to differ materially from the Company's current expectations, and there can be no assurance the Company's actual future performance will meet management's expectations. These forward-looking statements are based on management's current expectations, and we undertake no obligation to update or revise these forward-looking statements to reflect events or circumstances after the date of today's presentation, except as required by law.

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

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

FC Performance Driven by 5 Key Factors



1. Address Mission Critical Challenges
2. Our Solutions Deliver Results
3. Rapidly Growing Subscription Business
4. Compelling Subscription Business Model
5. Lots of Headroom for Growth

Revenue Headlines



+13%

Revenue Growth

+14% LTM

+21%

Subscription &
Subscription Services Revenue

+26% LTM

+25%

Deferred Subscription Revenue
(Billed & Unbilled)

\$151.6M as of November 30, 2022

62%

AAP Multiyear % of Total Invoiced
Amounts in North America

Profitability Headlines



76.0%
ent

76.4% LTM

59.5%

Operating SG&A as % of Sales

60.3% LTM

+19%

Flow-through Incremental Rev to
Increase in Adj EBITA

28% LTM

+16%

Adjusted EBITDA Growth

28% YTD

\$3.0M

Net Cash Provided by
Operating Activities

\$73.2M

\$58.2M Cash + \$15M Undrawn
Revolver

Enterprise Division - North America Headlines



+16%

Revenue Growth

17% LTM

+19%

**Subscription &
Subscription Services Revenue**

24% LTM

+25%

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

62%

**AAP Contracted Revenue
Represented by Multiyear
Contracts**

Enterprise Division – International Headlines



+12%

**UK, GSA & Australia Offices
Revenue Growth**

28% LTM

-8%

Revenue - China & Japan

-20% LTM

+9%

**International Licensee Partner
Revenue Growth**

15% LTM

Education Division Headlines



+23%

Revenue Growth

21% LTM

+24%

**Subscription &
Subscription Services Revenue**

25% LTM

+20%

**Balance Deferred Subscription
Revenue**

90%

School Retention

Total Company Subscription & Subscription Services



+26%

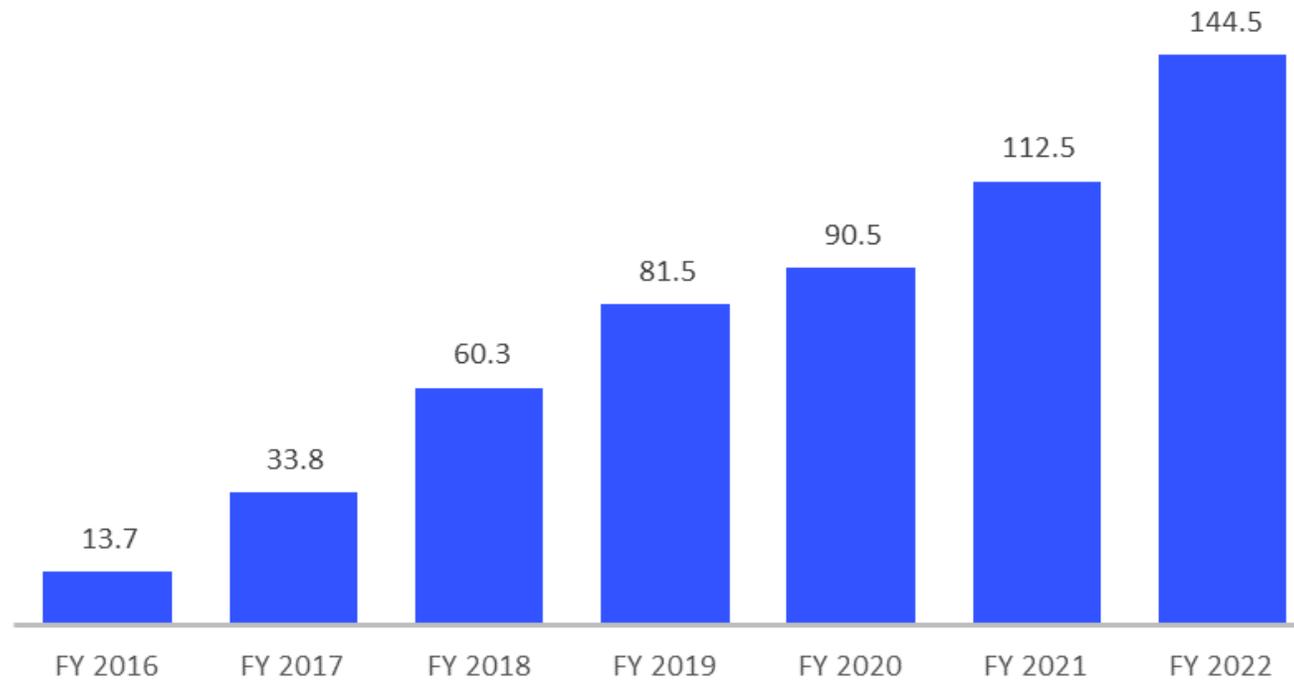
Subscription & Subscription Services
Revenue LTM

77%

Subscription and Subscription
Services as % of Total Company
Sales

AAP Subscription & Subscription Services Growth

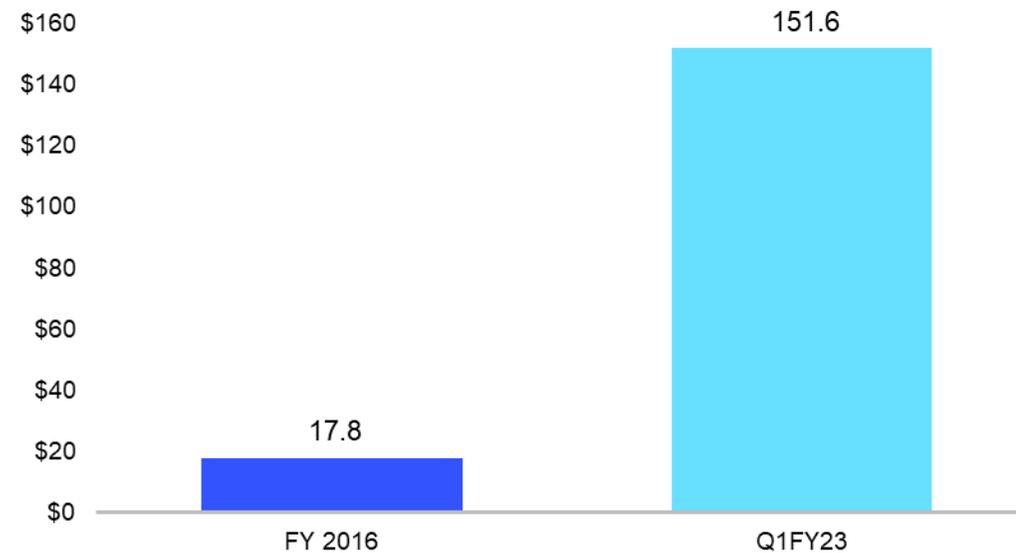
(in millions and unaudited)



Deferred Subscription Revenue Growth



Deferred Subscription Revenue (Billed & Unbilled)
(in millions and unaudited)



Enterprise Subscription Business Model Elements

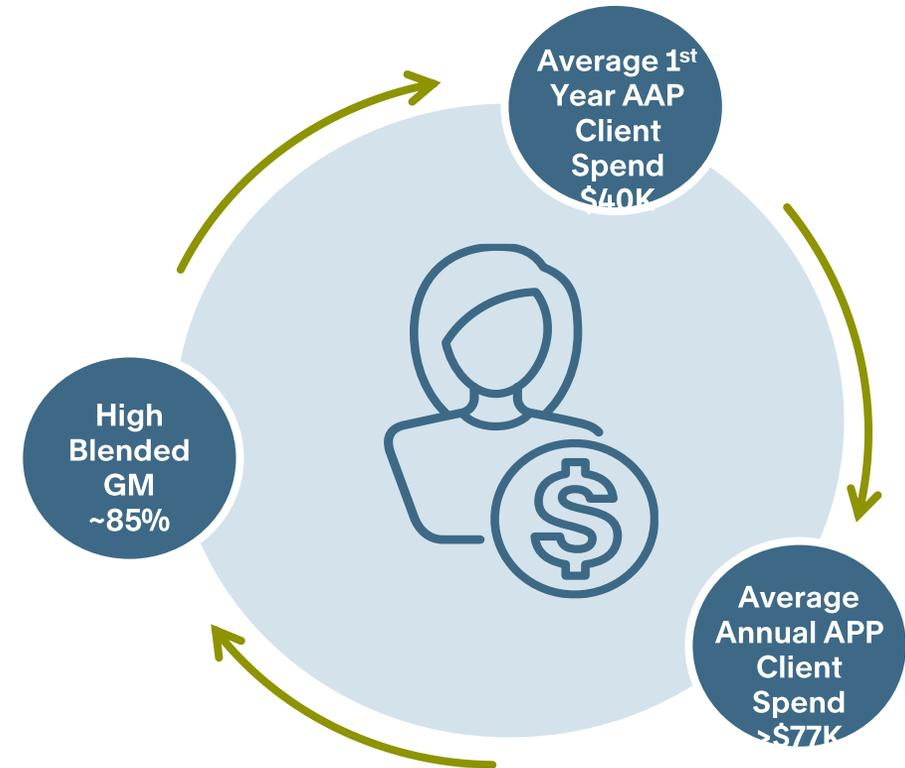


1. A new AAP subscription contract becomes an asset worth hundreds of thousands of dollars.
2. The increasing duration and certainty of AAP contracts is further increasing their value.
3. The cost of acquiring a new client contract is very attractive.

AAP Subscription Business Model Elements



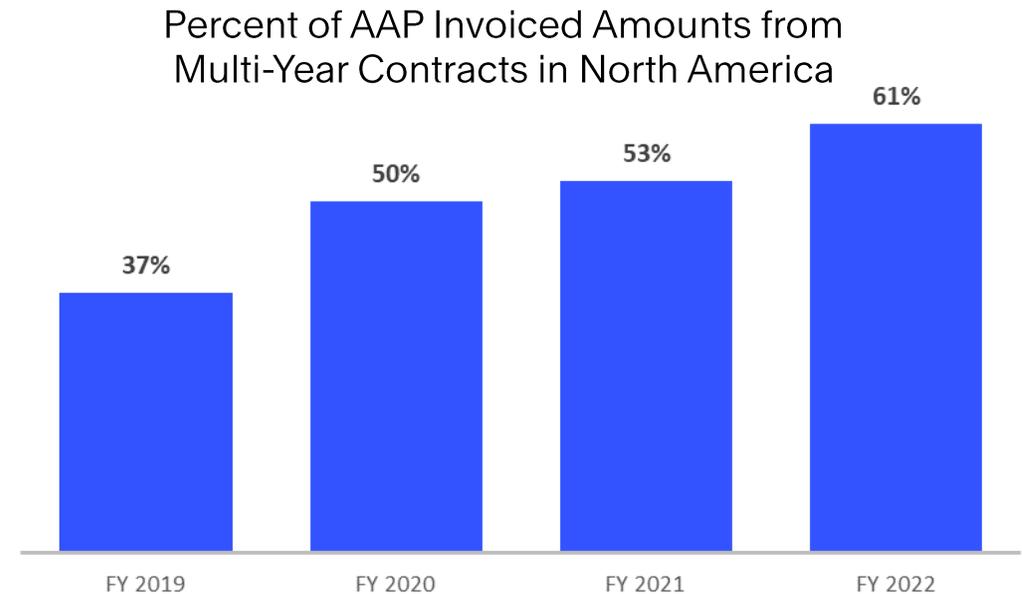
1. A new AAP subscription contract becomes an asset worth hundreds of thousands of dollars.



AAP Subscription Business Model Elements



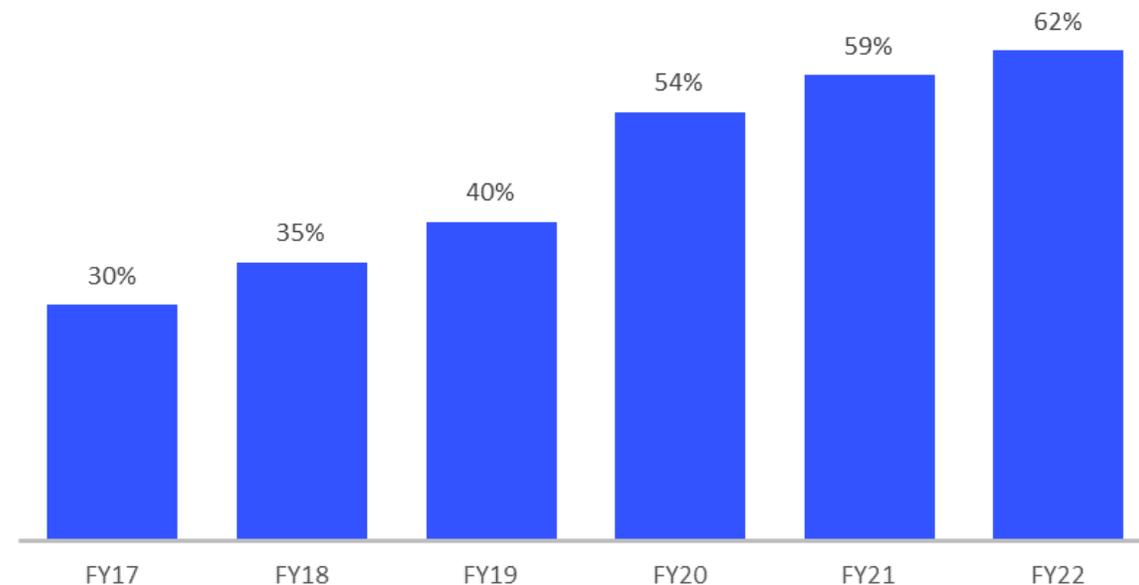
2. The increasing duration and certainty of AAP contracts is further increasing their value.



AAP Subscription Business Model Elements



2. Total of Billed and Unbilled Deferred Revenue as a percentage of prior year total Enterprise sales.



AAP Subscription Business Model Elements



3. The cost of acquiring a new client contract is very attractive.

<1.0
Customer Acquisition Cost (CAC)

Key Factors Driving Strength and Durability of Business Model



1

OUR CLIENT'S
MISSION
CRITICAL
CHALLENGES

2

EFFECTIVE
SOLUTIONS
SUCCESSFULLY
ADDRESS
CLIENT
CHALLENGES

3

STRENGTH IN
ACQUIRING,
SERVING,
RETAINING &
EXPANDING
CLIENT
RELATIONSHIPS

Key Factors Driving Strength and Durability of Business Model



1

**OUR CLIENT'S
MISSION
CRITICAL
CHALLENGES**

2

**EFFECTIVE
SOLUTIONS
SUCCESSFULLY
ADDRESS
CLIENT
CHALLENGES**

3

**STRENGTH IN
ACQUIRING,
SERVING,
RETAINING &
EXPANDING
CLIENT
RELATIONSHIPS**

Key Factors Driving Strength and Durability of Business Model



1

OUR CLIENT'S
MISSION
CRITICAL
CHALLENGES

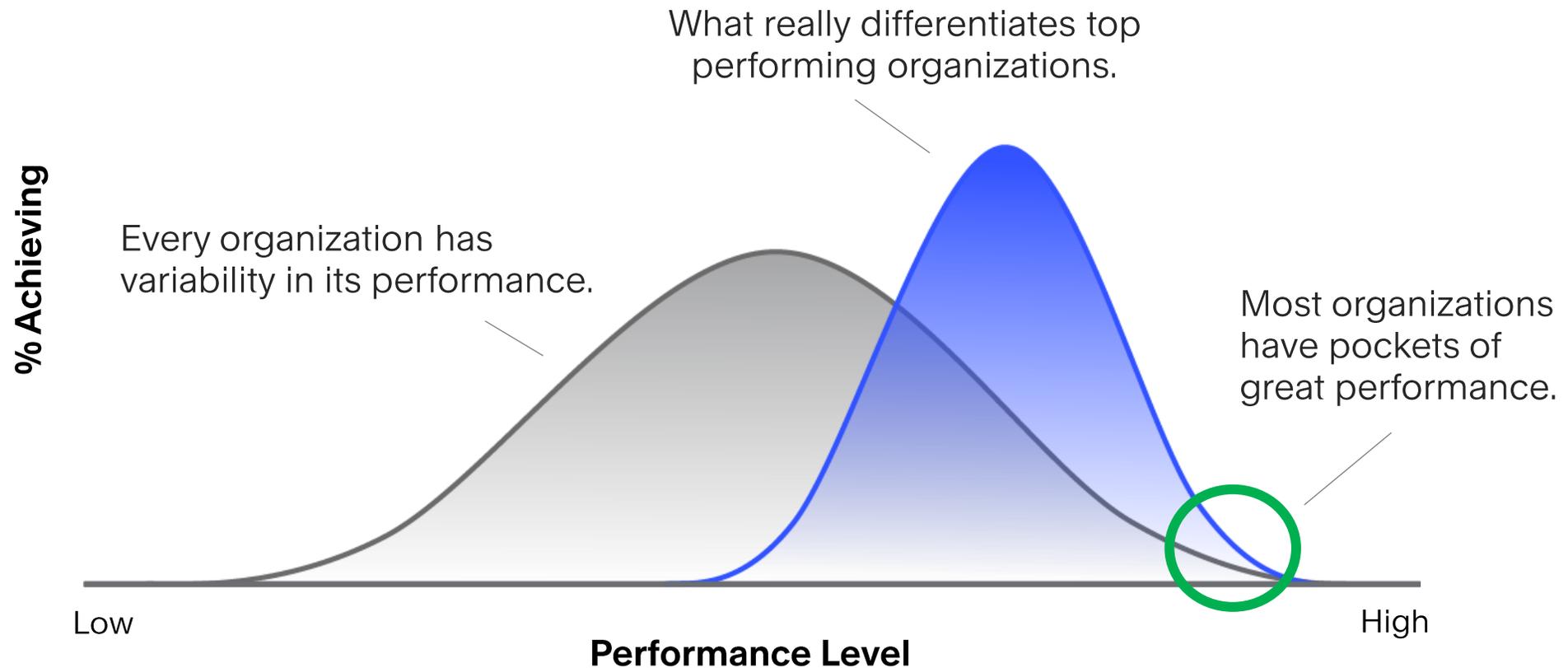
2

EFFECTIVE
SOLUTIONS
SUCCESSFULLY
ADDRESS
CLIENT
CHALLENGES

3

STRENGTH IN
ACQUIRING,
SERVING,
RETAINING &
EXPANDING
CLIENT
RELATIONSHIPS

Key Factor 2 – Effective Solutions Address Client Challenges



Key Factor 2 – Effective Solutions Address Client Challenges



Content

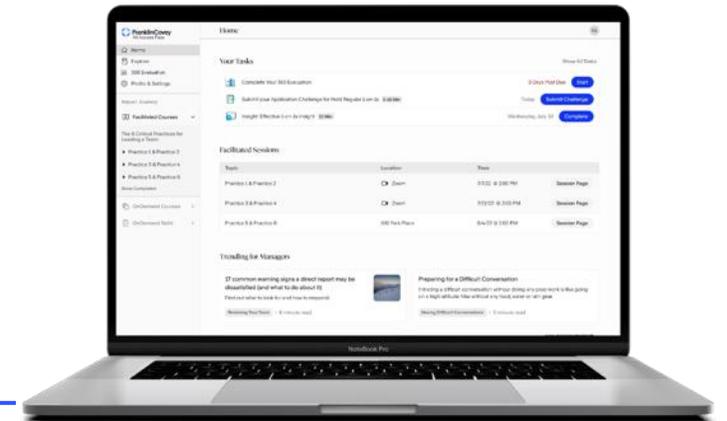
Leadership,
Individual Effectiveness,
Culture,
Business Outcomes

Technology

Impact Platform
360 Assessments
FC, Client-facilitated, and
On-demand Impact
Journeys

People

Client partners,
Implementation Strategists,
Delivery Consultants



Key Factors Driving Strength and Durability of Business Model



1

OUR CLIENT'S
MISSION
CRITICAL
CHALLENGES

2

EFFECTIVE
SOLUTIONS
SUCCESSFULLY
ADDRESS
CLIENT
CHALLENGES

3

STRENGTH IN
ACQUIRING,
SERVING,
RETAINING &
EXPANDING
CLIENT
RELATIONSHIPS

Key Factor 3 – Strength in Client Relationships



Guidance and Outlook



| | Guidance and Outlook |
|--|----------------------------|
| Adjusted EBITDA Guidance | \$47M-\$49M |
| FY24 - FY25 Outlook for Adjusted EBITDA Growth | FY24: \$57M FY25: \$67M |

James Williams
Managing Client Partner



Appendix

Other Information



OTHER INCOME STATEMENT INFORMATION:

- Depreciation: \$4.9M in FY2022, expected to total approximately \$5.7M in FY2023.
- Amortization: \$5.3M in FY2022, expected to total approximately \$4.3M in FY2023.
- Net Interest and Discount: \$1.6M in FY2022, expected to total approximately \$1.8M in FY2023.
- Share-based Compensation, Impaired Assets, Restructuring, Accrued Earnout and Other totaling \$8.4M in FY2022; expected to total approximately \$12.0M to \$13.0M in FY2023.
- Effective Tax Rate: Our normalized effective tax rate is expected to eventually be 28% to 32%, before unusual permanent book/tax differences. The actual tax rate could be a significantly different percentage, and we are not projecting an FY23 effective rate.

OTHER INFORMATION:

- Capital Expenditures: \$3.2M in FY2022, expected to total approximately \$7.2M to \$8.0M in FY2023.
- Capitalized Curriculum excluding acquired content: \$2.2M in FY2022, expected to total approximately \$9.0M to \$10.0M in FY2023, including localization of AAP content, AAP content development, and Education content development.
- Share Count: 13,905K shares outstanding as of December 31, 2022. 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: 292 on November 30, 2022.
- Impact of FX in Q1 of FY23: decrease to sales \$2.0M; decrease to Adjusted EBITDA \$0.8M.

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

FranklinCovey Financial Headlines

(in millions and unaudited)



| | <u>Q1 FY 23</u> | <u>Q1 FY 22</u> | <u>Chg</u> | <u>%</u> | <u>LTM Q1</u> | <u>LTM Q1</u> | <u>Chg</u> | <u>%</u> |
|------------------|-----------------|-----------------|------------|----------|---------------|---------------|------------|----------|
| | | | | | <u>FY23</u> | <u>FY 22</u> | | |
| Sales | \$ 69.4 | \$ 61.3 | \$ 8.1 | 13.2% | \$ 271.0 | \$ 237.1 | \$ 33.8 | 14.3% |
| Cost of Sales | 16.6 | 13.7 | 3.0 | 21.7% | 63.9 | 53.0 | 10.9 | 20.6% |
| Gross Profit | 52.7 | 47.6 | 5.1 | 10.8% | 207.1 | 184.1 | 22.9 | 12.5% |
| Gross Profit % | 76.0% | 77.7% | (167) | bps | 76.4% | 77.7% | (123) | bps |
| Operating SG&A | 41.3 | 37.7 | 3.6 | 9.6% | 163.3 | 149.9 | 13.4 | 8.9% |
| Operating SG&A % | 59.5% | 61.5% | 199 | bps | 60.3% | 63.2% | 296 | bps |
| Adjusted EBITDA | \$ 11.5 | \$ 9.9 | \$ 1.5 | 15.5% | \$ 43.7 | \$ 34.2 | \$ 9.6 | 28.0% |

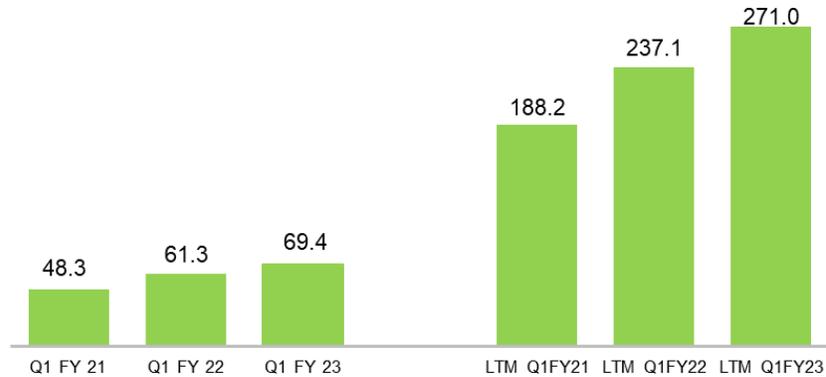
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

FranklinCovey Financial Summary

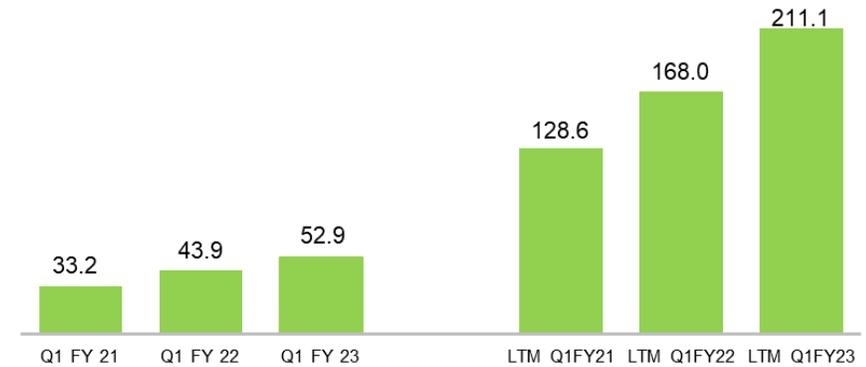
(in millions and unaudited)



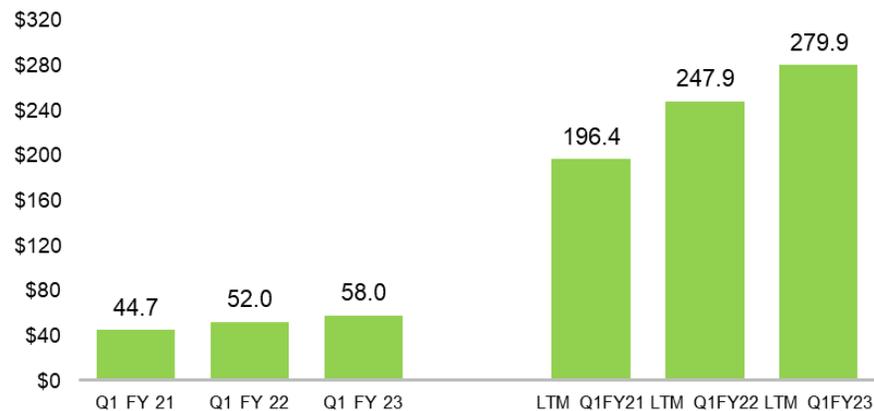
SALES



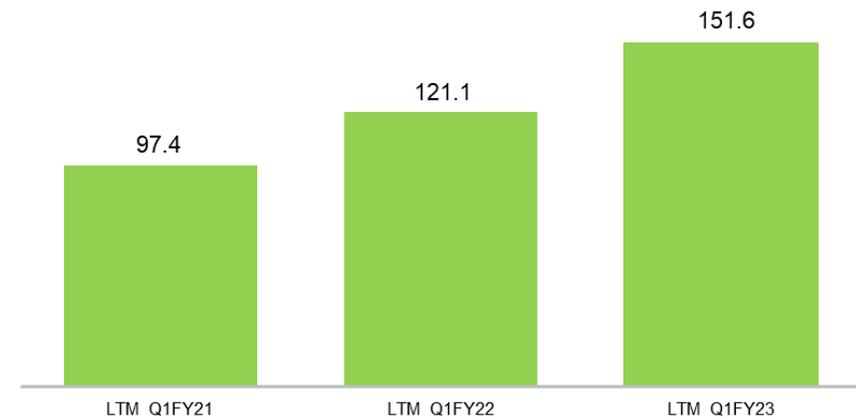
SUBSCRIPTION AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED REVENUE

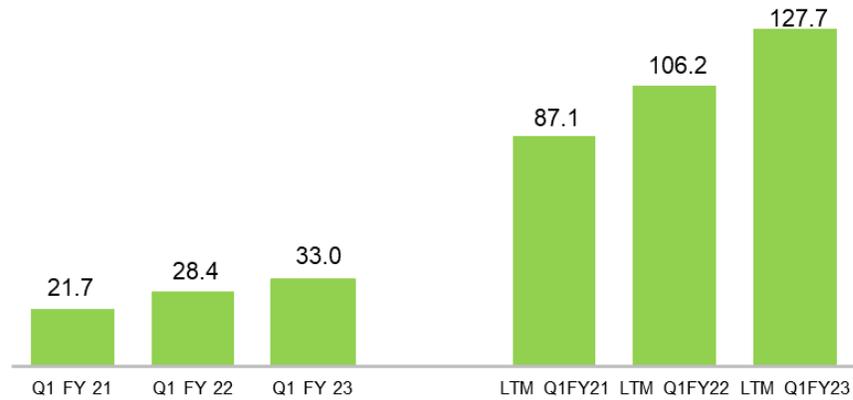


Trends in the Business

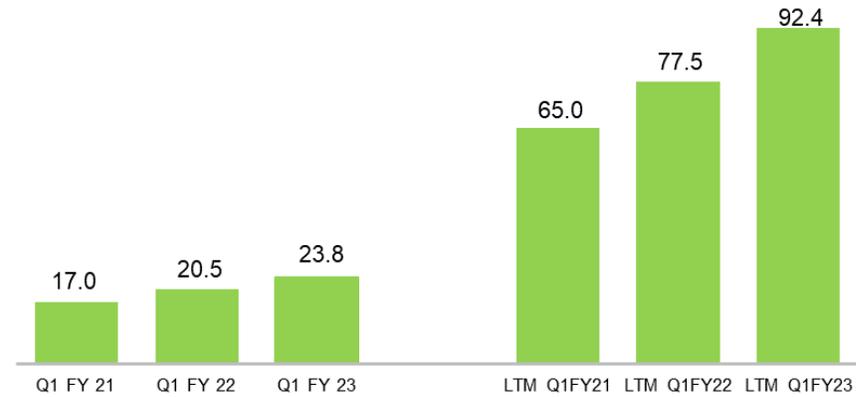
(in millions and unaudited)



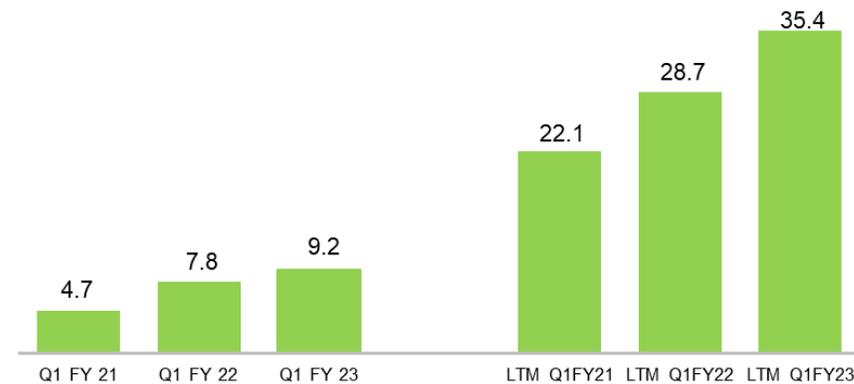
SUBSCRIPTION REVENUE



AAP SUBSCRIPTION REVENUE



EDUCATION SUBSCRIPTION REVENUE

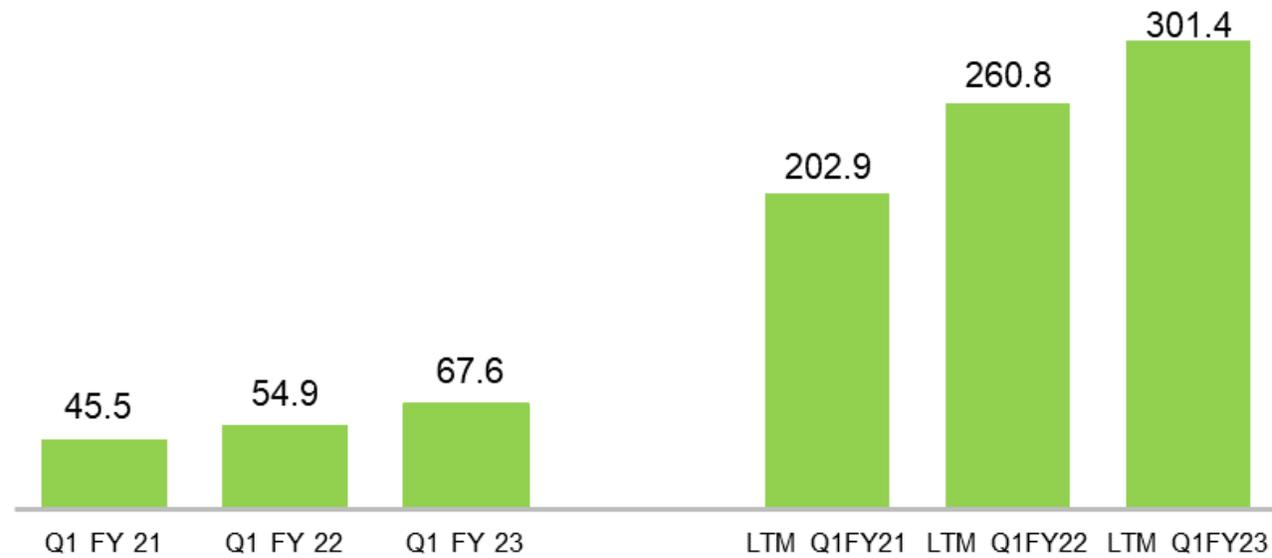


Contracted

(in millions and unaudited)



CONTRACTED



Sales Information

(in millions and unaudited)



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

Notes:

- Invoiced Amounts represent the amount billed (invoiced) in the period. The Invoiced Amount is equal to Reported Net Sales, plus the associated change in Deferred Subscription Sales on the balance sheet (adjusted for FX). AAP Subscriptions, Education Memberships, and Other Invoiced Subscriptions are all Invoiced Amounts. Unbilled portions of multi-year agreements are not included.
- The Difference between Change in Deferred Sales, which is added to Reported Net Sales to equal the Invoiced Amount, and the Change in Deferred Sales on the balance sheet is adjustments for FX, acquisitions and other. Q1 of FY2019 also includes the adjustment attributed to the adoption of Topic 606.
- Certain historical amounts have been adjusted to conform with the current presentation.
- Deferred Revenue is primarily a current liability. However, a small portion is long-term and recorded as a part of Other Liabilities. See Notes in the 10-K.
- Education Subscription Contracts consists of membership subscriptions which is recognized as sales over the course of the contract and Consulting which is recognized as sales upon delivery. These combined performance obligations are contracted, invoiced and paid together. See Deferred Subscription Revenue in the Definitions

FranklinCovey Contracts Signed

(in millions and unaudited)



| First Quarter | Enterprise Division | | | | Education Division | | | | Corporate | | | Total Company | | | |
|---|---------------------|-------|--------|-------|--------------------|-------|--------|-------|-----------|------|--------|---------------|-------|--------|-------|
| | FY23 | FY22 | Change | % | FY23 | FY22 | Change | % | FY23 | FY22 | Change | FY23 | FY22 | Change | % |
| Sales | 53.4 | 48.1 | 5.3 | 11.1% | 14.4 | 11.7 | 2.7 | 22.7% | 1.6 | 1.4 | 0.1 | 69.4 | 61.3 | 8.1 | 13.2% |
| Change in Deferred Subscription Revenue | (5.1) | (3.9) | (1.2) | 29.5% | (6.3) | (5.4) | (0.9) | 17.2% | - | - | - | (11.4) | (9.3) | (2.1) | 22.4% |
| Invoiced Amounts | 48.4 | 44.2 | 4.2 | 9.4% | 8.1 | 6.3 | 1.7 | 27.3% | 1.6 | 1.4 | 0.1 | 58.0 | 52.0 | 6.0 | 11.6% |
| Change in Unbilled Deferred Revenue | 9.6 | 2.8 | 6.8 | | (0.1) | 0.2 | (0.2) | | (0.0) | 0.0 | (0.0) | 9.6 | 3.0 | 6.6 | |
| Total Contracts Signed | 58.0 | 47.0 | 11.0 | 23.4% | 8.0 | 6.5 | 1.5 | 22.7% | 1.6 | 1.4 | 0.1 | 67.6 | 54.9 | 12.6 | 22.9% |

| Last 12 Months | Enterprise Division | | | | Education Division | | | | Corporate | | | Total Company | | | |
|---|---------------------|-------|--------|--------|--------------------|------|--------|---------|-----------|-------|--------|---------------|-------|--------|--------|
| | FY23 | FY22 | Change | % | FY23 | FY22 | Change | % | FY23 | FY22 | Change | FY23 | FY22 | Change | % |
| Sales | 199.7 | 177.4 | 22.3 | 12.6% | 64.5 | 53.1 | 11.4 | 21.5% | 6.7 | 6.6 | 0.1 | 271.0 | 237.1 | 33.8 | 14.3% |
| Change in Deferred Subscription Revenue | 4.6 | 6.2 | (1.6) | -26.3% | 4.3 | 4.7 | (0.3) | -6.8% | 0.0 | (0.1) | 0.1 | 8.9 | 10.8 | (1.9) | -17.5% |
| Invoiced Amounts | 204.3 | 183.6 | 20.7 | 11.3% | 68.8 | 57.8 | 11.1 | 19.2% | 6.7 | 6.5 | 0.2 | 279.9 | 247.9 | 31.9 | 12.9% |
| Change in Unbilled Deferred Revenue | 22.2 | 12.7 | 9.5 | 74.9% | (0.6) | 0.2 | (0.9) | -373.2% | 0.0 | - | 0.0 | 21.6 | 12.9 | 8.6 | 66.9% |
| Total Contracts Signed | 226.5 | 196.3 | 30.2 | 15.4% | 68.2 | 58.0 | 10.2 | 17.6% | 6.7 | 6.5 | 0.2 | 301.4 | 260.8 | 40.6 | 15.6% |

| As of November 30 | Enterprise Division | | | | Education Division | | | | Corporate | | | Total Company | | | |
|---------------------------------------|---------------------|------|--------|-------|--------------------|------|--------|--------|-----------|------|--------|---------------|-------|--------|-------|
| | FY23 | FY22 | Change | % | FY23 | FY22 | Change | % | FY23 | FY22 | Change | FY23 | FY22 | Change | % |
| Deferred Subscription Revenue Balance | 50.2 | 45.7 | 4.6 | 10.0% | 26.4 | 22.1 | 4.3 | 19.7% | - | - | - | 76.7 | 67.8 | 8.9 | 13.2% |
| Unbilled Deferred Revenue Balance | 74.2 | 52.0 | 22.2 | 42.7% | 0.7 | 1.4 | (0.6) | -46.4% | - | - | - | 74.9 | 53.4 | 21.6 | 40.4% |
| Total | 124.4 | 97.7 | 26.8 | 27.4% | 27.2 | 23.5 | 3.7 | 15.8% | - | - | - | 151.6 | 121.1 | 30.5 | 25.2% |

Notes:

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

Reconciliation of Net Income to Adjusted EBITDA

(in thousands and unaudited)



| | Quarter Ended | |
|---|----------------------|----------------------|
| | November 30, 2022 | November 30, 2021 |
| Reconciliation of net income to Adjusted EBITDA: | | |
| Net income | \$ 4,667 | \$ 3,812 |
| Adjustments: | | |
| Interest expense, net | 329 | 431 |
| Income tax provision | 1,396 | 1,302 |
| Amortization | 1,092 | 1,431 |
| Depreciation | 1,246 | 1,279 |
| Stock-based compensation | 2,735 | 1,649 |
| Increase in the fair value of contingent consideration liabilities | 7 | 28 |
| Adjusted EBITDA | \$ 11,472 | \$ 9,932 |
| Adjusted EBITDA margin | 16.5% | 16.2% |

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, 2022 | November 30, 2021 |
| Sales by Division/Segment: | | |
| Enterprise Division: | | |
| Direct offices | \$ 50,167 | \$ 45,119 |
| International licensees | 3,278 | 2,997 |
| | 53,445 | 48,116 |
| Education Division | 14,350 | 11,697 |
| Corporate and other | 1,574 | 1,446 |
| Consolidated | \$ 69,369 | \$ 61,259 |
| Gross Profit by Division/Segment: | | |
| Enterprise Division: | | |
| Direct offices | \$ 39,921 | \$ 36,202 |
| International licensees | 2,977 | 2,701 |
| | 42,898 | 38,903 |
| Education Division | 9,175 | 7,860 |
| Corporate and other | 669 | 835 |
| Consolidated | \$ 52,742 | \$ 47,598 |
| Adjusted EBITDA by Division/Segment: | | |
| Enterprise Division: | | |
| Direct offices | \$ 11,250 | \$ 9,954 |
| International licensees | 1,831 | 1,671 |
| | 13,081 | 11,625 |
| Education Division | 281 | 235 |
| Corporate and other | (1,890) | (1,928) |
| Consolidated | \$ 11,472 | \$ 9,932 |

Condensed Consolidated Balance Sheets

(in thousands and unaudited)



| | November 30, 2022 | August 31, 2022 |
|--|----------------------|--------------------|
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 58,152 | \$ 60,517 |
| Accounts receivable, less allowance for doubtful accounts of \$4,427 and \$4,492 | 57,352 | 72,561 |
| Inventories | 3,477 | 3,527 |
| Income taxes receivable | - | - |
| Prepaid expenses and other current assets | 17,364 | 19,278 |
| Total current assets | <u>136,345</u> | <u>155,883</u> |
| Property and equipment, net | 9,465 | 9,798 |
| Intangible assets, net | 43,742 | 44,833 |
| Goodwill | 31,220 | 31,220 |
| Deferred income tax assets | 4,279 | 4,686 |
| Other long-term assets | 12,378 | 12,735 |
| | <u>\$ 237,429</u> | <u>\$ 259,155</u> |

| | November 30, 2022 | August 31, 2022 |
|--|----------------------|--------------------|
| <u>Liabilities and Shareholders' Equity</u> | | |
| Current liabilities: | | |
| Current portion of notes payable | \$ 5,835 | \$ 5,835 |
| Current portion of financing obligation | 3,281 | 3,199 |
| Accounts payable | 6,878 | 10,864 |
| Deferred subscription revenue | 74,394 | 85,543 |
| Other deferred revenue | 13,906 | 14,150 |
| Accrued liabilities | 23,380 | 34,205 |
| Total current liabilities | <u>127,674</u> | <u>153,796</u> |
| Notes payable, less current portion | 6,045 | 7,268 |
| Financing obligation, less current portion | 7,105 | 7,962 |
| Other liabilities | 6,788 | 7,116 |
| Deferred income tax liabilities | 199 | 199 |
| Total liabilities | <u>147,811</u> | <u>176,341</u> |
| Shareholders' equity: | | |
| Common stock | 1,353 | 1,353 |
| Additional paid-in capital | 222,413 | 220,246 |
| Retained earnings | 86,688 | 82,021 |
| Accumulated other comprehensive loss | (672) | (542) |
| Treasury stock at cost, 13,165 and 13,203 shares | (220,164) | (220,264) |
| Total shareholders' equity | <u>89,618</u> | <u>82,814</u> |
| | <u>\$ 237,429</u> | <u>\$ 259,155</u> |

Condensed Consolidated Income Statements

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



| | Quarter Ended | |
|--------------------------------------|----------------------|----------------------|
| | November 30, 2022 | November 30, 2021 |
| Net sales | \$ 69,369 | \$ 61,259 |
| Cost of sales | 16,627 | 13,661 |
| Gross profit | 52,742 | 47,598 |
| Selling, general, and administrative | 44,012 | 39,343 |
| Depreciation | 1,246 | 1,279 |
| Amortization | 1,092 | 1,431 |
| Income from operations | 6,392 | 5,545 |
| Interest expense, net | (329) | (431) |
| Income before income taxes | 6,063 | 5,114 |
| Income tax provision | (1,396) | (1,302) |
| Net income | \$ 4,667 | \$ 3,812 |
| Net income per common share: | | |
| Basic | \$ 0.34 | \$ 0.27 |
| Diluted | 0.32 | 0.27 |
| Weighted average common shares: | | |
| Basic | 13,877 | 14,246 |
| Diluted | 14,507 | 14,312 |
| Other data: | | |
| Adjusted EBITDA ⁽¹⁾ | \$ 11,472 | \$ 9,932 |

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

Free Cash Flow



| | Quarter Ended | |
|---|----------------------|------------------------|
| | November 30, 2022 | November 30, 2021 |
| | (unaudited) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 4,667 | \$ 3,812 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,338 | 2,710 |
| Amortization of capitalized curriculum costs | 843 | 789 |
| Stock-based compensation | 2,735 | 1,649 |
| Deferred income taxes | 393 | 679 |
| Change in fair value of contingent consideration liabilities | 7 | 28 |
| Amortization of right-of-use operating lease assets | 203 | 225 |
| Change in working capital | (8,169) | 272 |
| Net cash provided by operating activities | <u>3,017</u> | <u>10,164</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (1,240) | (520) |
| Curriculum development costs | (974) | (243) |
| Net cash used for investing activities | <u>(2,214)</u> | <u>(763)</u> |
| FREE CASH FLOW | <u><u>\$ 803</u></u> | <u><u>\$ 9,401</u></u> |

Enterprise Division Financial Summary

(in millions and unaudited)



| | Q1 FY 23 | | | | LTM Q1 | | | |
|------------------|----------|----------|--------|-------|----------|----------|---------|-------|
| | Q1 FY 23 | Q1 FY 22 | Chg | % | FY23 | FY 22 | Chg | % |
| Sales | \$ 53.4 | \$ 48.1 | \$ 5.3 | 11.1% | \$ 199.7 | \$ 177.4 | \$ 22.3 | 12.6% |
| Cost of Sales | 10.5 | 9.2 | 1.3 | 14.5% | 38.3 | 33.1 | 5.2 | 15.7% |
| Gross Profit | 42.9 | 38.9 | 4.0 | 10.3% | 161.4 | 144.3 | 17.1 | 11.9% |
| Gross Profit % | 80.3% | 80.9% | (58) | bps | 80.8% | 81.3% | (52) | bps |
| Operating SG&A | 29.8 | 27.3 | 2.5 | 9.3% | 117.5 | 109.1 | 8.4 | 7.7% |
| Operating SG&A % | 55.8% | 56.7% | 90 | bps | 58.8% | 61.5% | 268 | bps |
| Adjusted EBITDA | \$ 13.1 | \$ 11.6 | \$ 1.5 | 12.5% | \$ 43.9 | \$ 35.2 | \$ 8.7 | 24.9% |

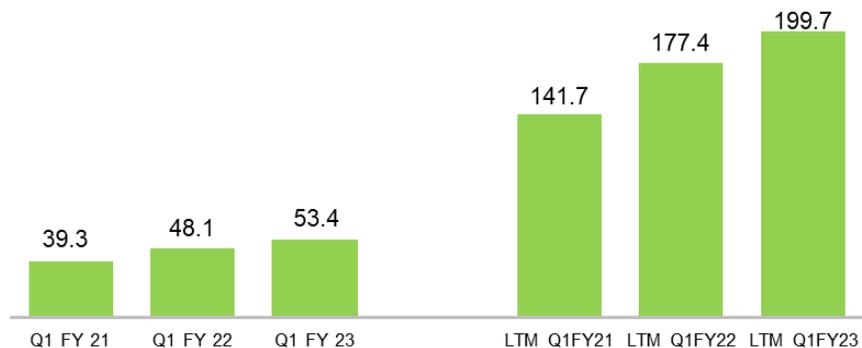
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

Enterprise Division Financial Summary

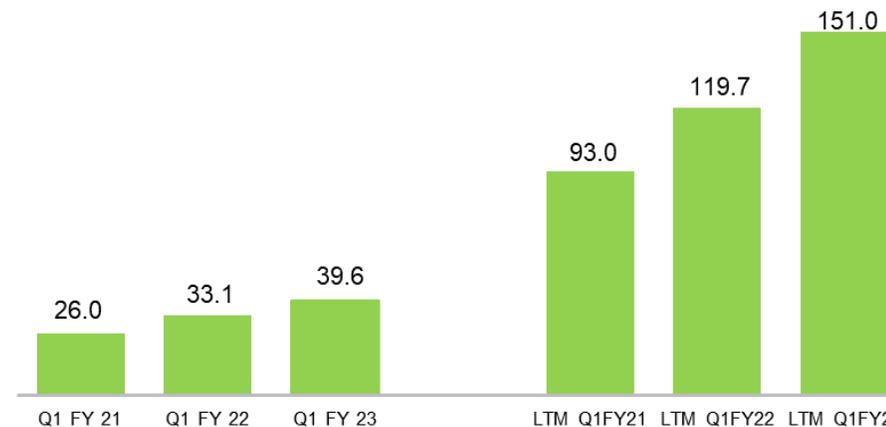
(in millions and unaudited)



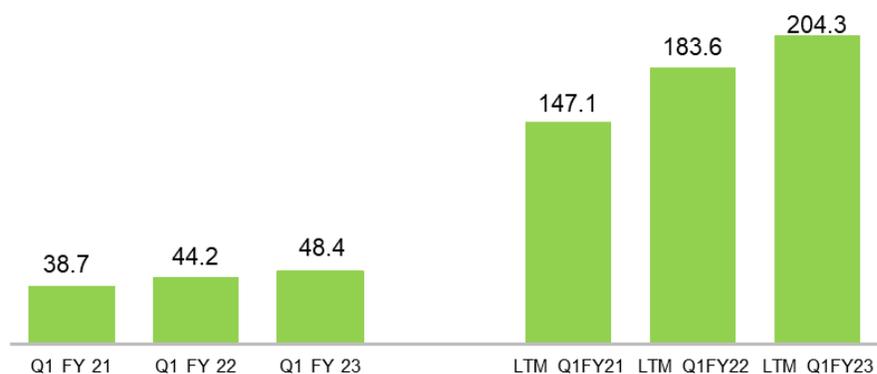
SALES



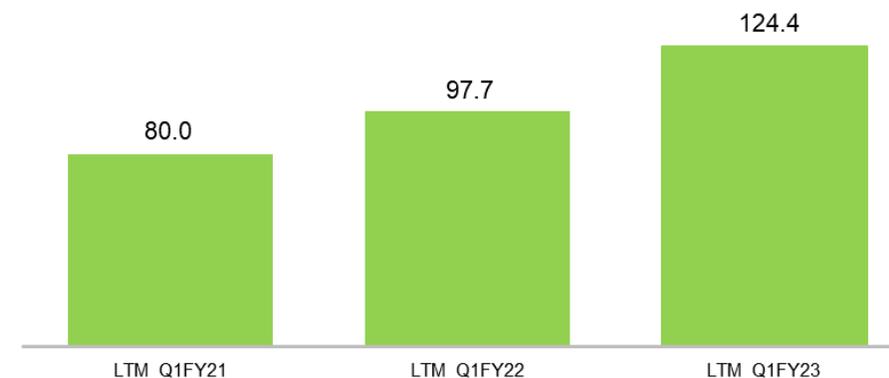
AAP AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED REVENUE



Enterprise Division AAP & Related Revenue

(in millions and unaudited)



| | LTM Q1FY23 | LTM Q1FY22 | LTM Q1FY21 |
|---|----------------|----------------|----------------|
| AAP Sales | \$92.4 | \$77.5 | \$65.0 |
| AAP Add on Sales* | 58.6 | 42.1 | 28.0 |
| Total AAP and Related | 151.0 | 119.7 | 93.0 |
| Percent of AAP and Related Sales to Total Enterprise Sales | 76% | 67% | 66% |
| Legacy Sales | 29.7 | 39.9 | 33.5 |
| International licensees | 10.8 | 9.4 | 7.3 |
| Other Sales | 8.3 | 8.4 | 8.0 |
| Total Enterprise Sales | \$199.7 | \$177.4 | \$141.7 |

| | LTM Q1FY23 | LTM Q1FY22 | LTM Q1FY21 |
|---|----------------|----------------|----------------|
| North America Sales | \$147.4 | \$125.6 | \$101.8 |
| International Direct Office Sales | 33.3 | 33.8 | 24.6 |
| Other Sales | 8.3 | 8.4 | 8.0 |
| Total Direct Office Division Sales | 188.9 | 167.8 | 134.4 |
| International Licensees | 10.8 | 9.4 | 7.3 |
| Total Enterprise Sales | \$199.7 | \$177.4 | \$141.7 |

| | Q1FY23 | Q4FY22 | Q3FY22 | Q2FY22 | Q1FY22 |
|--|---------------|---------------|---------------|---------------|---------------|
| | \$23.8 | \$25.2 | \$22.4 | \$20.9 | \$20.5 |
| | 15.8 | 15.1 | 16.6 | 11.2 | 12.6 |
| | 39.6 | 40.3 | 39.1 | 32.0 | 33.1 |
| | 74% | 77% | 78% | 73% | 69% |
| | 8.4 | 7.8 | 6.2 | 7.2 | 9.5 |
| | 3.3 | 2.4 | 2.6 | 2.6 | 3.0 |
| | 2.2 | 1.7 | 2.2 | 2.2 | 2.4 |
| | \$53.4 | \$52.2 | \$50.0 | \$44.1 | \$48.1 |
| | Q1FY23 | Q4FY22 | Q3FY22 | Q2FY22 | Q1FY22 |
| | \$38.7 | \$39.4 | \$37.8 | \$31.5 | \$33.4 |
| | \$9.3 | \$8.8 | \$7.4 | \$7.8 | \$9.3 |
| | 2.2 | 1.7 | 2.2 | 2.2 | 2.4 |
| | 50.2 | 49.8 | 47.4 | 41.5 | 45.1 |
| | 3.3 | 2.4 | 2.6 | 2.6 | 3.0 |
| | \$53.4 | \$52.2 | \$50.0 | \$44.1 | \$48.1 |

Note: Beginning in Q1 FY22, the Company reclassified China sales from "Other" to Legacy to reflect the Company's emphasis to begin selling AAP in China. Prior periods have been restated to be consistent with the presentation. Legacy Sales are the sales in areas where AAP is being offered that are not associated with an AAP sale. If a historical Legacy client purchases an AAP, all future facilitator materials or consulting sales from that client are considered to be AAP related.

Education Division Financial Summary

(in millions and unaudited)



| | Q1 FY 23 | | | | LTM Q1 | | | |
|------------------|----------|----------|--------|-------|---------|---------|---------|-------|
| | Q1 FY 23 | Q1 FY 22 | Chg | % | FY23 | FY 22 | Chg | % |
| Sales | \$ 14.4 | \$ 11.7 | \$ 2.7 | 22.7% | \$ 64.5 | \$ 53.1 | \$ 11.4 | 21.5% |
| Cost of Sales | 5.2 | 3.8 | 1.3 | 34.9% | 22.0 | 16.5 | 5.5 | 33.6% |
| Gross Profit | 9.2 | 7.9 | 1.3 | 16.7% | 42.5 | 36.6 | 5.9 | 16.0% |
| Gross Profit % | 63.9% | 67.2% | (326) | bps | 65.9% | 69.0% | (309) | bps |
| Operating SG&A | 8.9 | 7.6 | 1.3 | 16.6% | 34.1 | 29.3 | 4.8 | 16.2% |
| Operating SG&A % | 62.0% | 65.2% | 321 | bps | 52.8% | 55.2% | 238 | bps |
| Adjusted EBITDA | \$ 0.3 | \$ 0.2 | \$ 0.0 | 19.9% | \$ 8.5 | \$ 7.3 | \$ 1.1 | 15.3% |

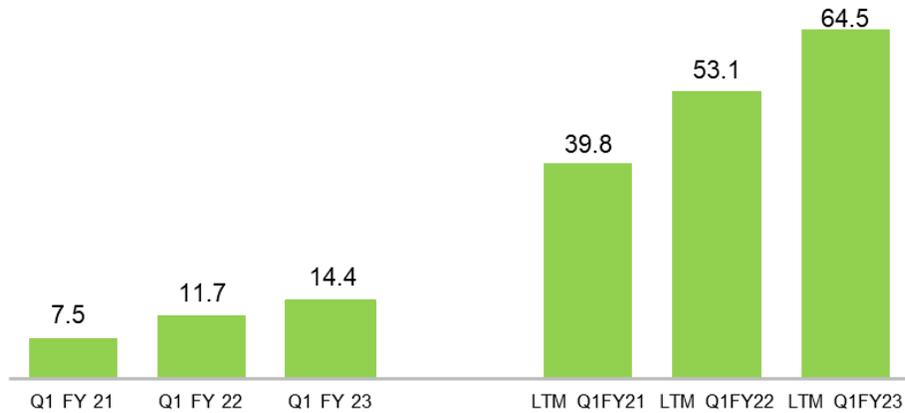
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

Education Division Financial Summary

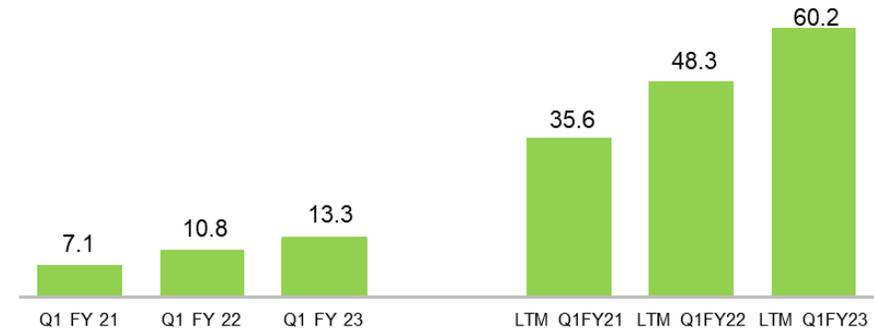
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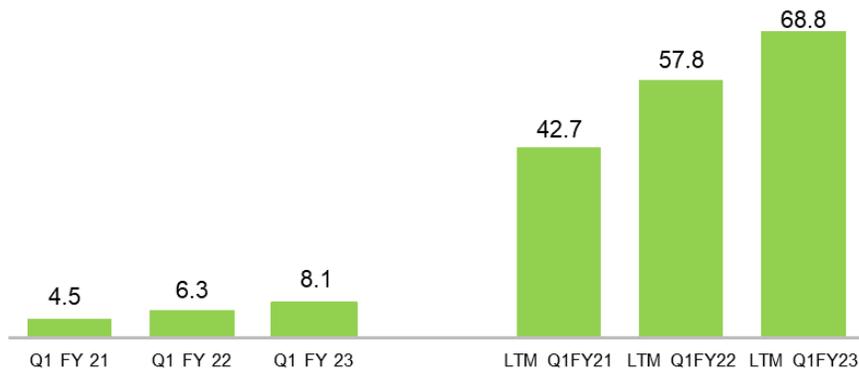
SALES



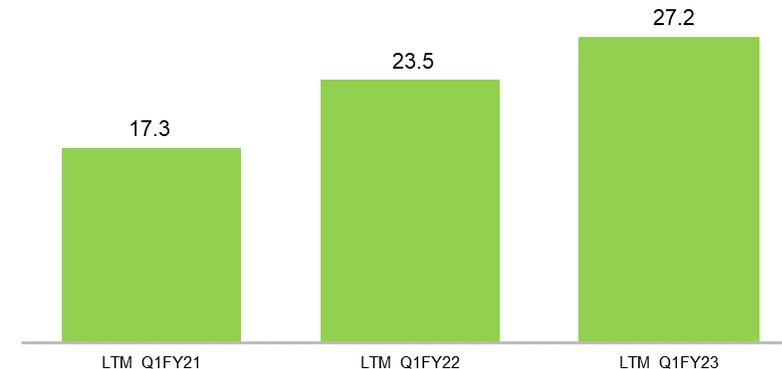
EDUCATION SUBSCRIPTION AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED REVENUE



Definitions



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

Definitions



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

Leena Rinne
VP, Consulting Strategy & Operations



Thank You