

Greatness Starts Here

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



FranklinCovey™



Investor Update

Fiscal Year & Q4 2022



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.

Revenue Headlines



+17%

Revenue Growth

+14% Q4

+29%

Subscription &
Subscription Services Revenue

+23% Q4

+20%

Deferred Subscription Revenue
(Billed & Unbilled)

\$153.4M as of Aug 31, 2022

Revenue Headlines

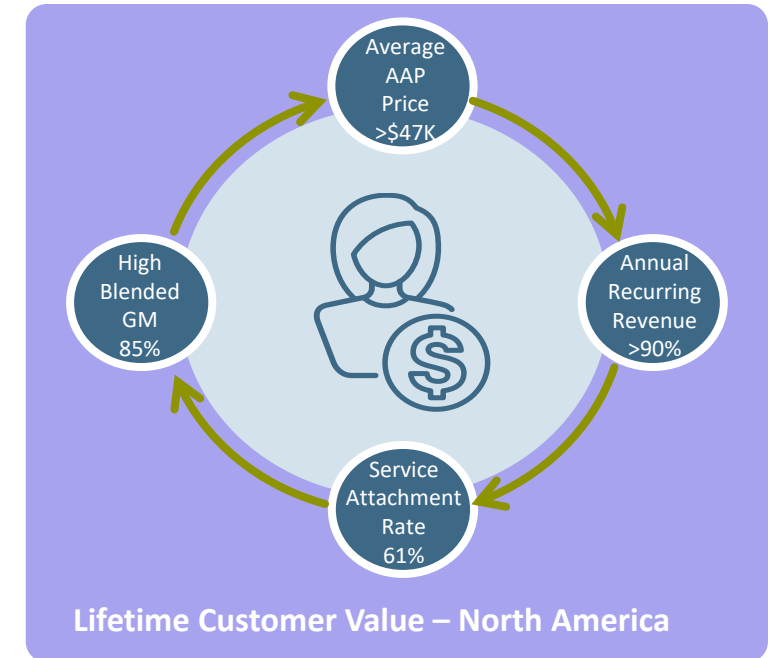


61%

AAP Multiyear % of Total
Subscription Revenue

61%

Subscription Services Attach Rate



Profitability Headlines



76.8%

Gross Margin Percent

75% Q4

60.8%

Operating SG&A as % of Sales

58% Q4

+37%

Flow-through Incremental Rev to
Increase in Adj EBITA

28% Q4

+51%

Adjusted EBITDA Growth

+26% Q4

\$52.3M

Net Cash Provided by
Operating Activities

\$23.9M

Share Repurchase Investment
of ~585K Shares

Outlook



	Original Targets (as of Nov FY2022)	Updated Targets (as of July FY2022)	Where We Finished (FY2022)	New Targets (as of Nov FY2023)
Adjusted EBITDA Guidance	\$34M-\$36M	\$40M-\$41.5M	\$42.2M	\$47M-\$49M
FY23 - FY25 Outlook for Adjusted EBITDA Growth	FY23: \$45M FY24: \$55M FY25: N/A	FY23: \$47-\$48.5M FY24: \$57M FY25: \$67M	N/A	FY23: \$47M-\$49M FY24: \$57M FY25: \$67M

Enterprise Division - North America Headlines



+19%

Revenue Growth

17% Q4

+26%

**Subscription &
Subscription Services Revenue**

22% Q4

+20%

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

\$110.6M

61%

**AAP Contract Revenue Represented
by Multiyear Contracts**

Enterprise Division – International Headlines



+40%

UK, GSA & Australia Offices
Revenue Growth

23% Q4

+17%

International Licensee Partner
Revenue Growth

Education Division Headlines



+26%

Revenue Growth

17% Q4

+29%

Subscription &
Subscription Services Revenue

18% Q4

+17%

Balance Deferred Subscription
Revenue

\$33.5M

+27%

New Schools

Five Key Drivers



**LARGE TOTAL
ADDRESSABLE
MARKET (TAM)**

**FOCUSED ON
MOST IMPORTANT,
LUCRATIVE &
DURABLE SPACE**

**SUBSCRIPTION
MODEL DRIVES
GROWTH,
PREDICTABILITY
AND PROFITABILITY**

**COMPELLING
OPPORTUNITIES
FOR GROWTH**

**INVESTING FREE
CASH FLOW TO
CREATE
ADDITIONAL
VALUE**

Key Driver #1



**LARGE TOTAL
ADDRESSABLE
MARKET (TAM)**

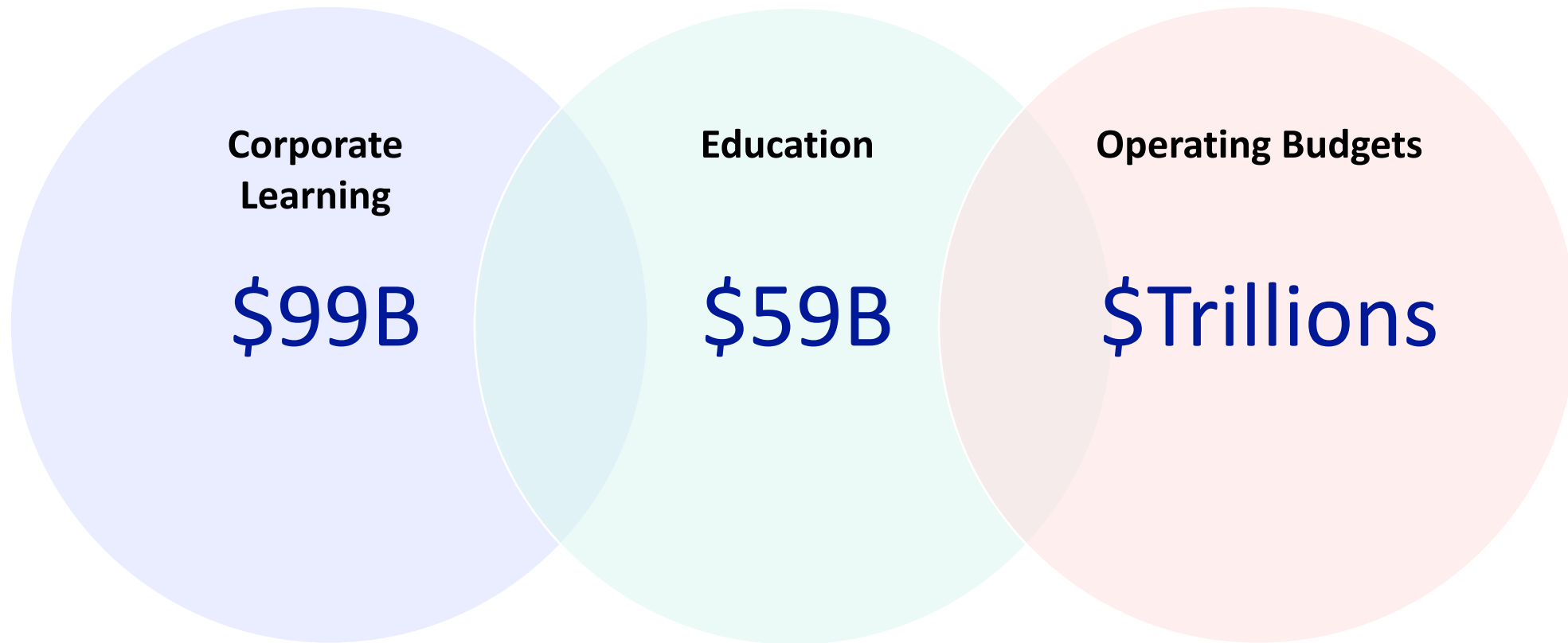
FOCUSED ON
MOST IMPORTANT,
LUCRATIVE &
DURABLE SPACE

SUBSCRIPTION
MODEL DRIVES
GROWTH,
PREDICTABILITY
AND PROFITABILITY

COMPELLING
OPPORTUNITIES
FOR GROWTH

INVESTING FREE
CASH FLOW TO
CREATE
ADDITIONAL
VALUE

Key Driver #1



Notes:

- \$381B is spent annually on Corporate Training Globally with \$99B spent annually on external providers.

- \$762B is spent annually by US K-12 schools with \$59B spent annually on instructional resources and services that are beyond faculty salary and benefits.

- Sources: The State of the Leadership Training Market, Training Industry and https://nces.ed.gov/programs/digest/current_tables.asp and https://nces.ed.gov/programs/digest/d20/tables/dt20_236.10.asp and https://nces.ed.gov/programs/digest/d21/tables/dt21_203.40.asp?current=yes

Key Driver #2



LARGE TOTAL
ADDRESSABLE
MARKET (TAM)

FOCUSED ON
MOST IMPORTANT,
LUCRATIVE &
DURABLE SPACE

SUBSCRIPTION
MODEL DRIVES
GROWTH,
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ADDITIONAL
VALUE

Key Driver #2



The kinds of opportunities and challenges we help organizations address:



Individual access
to information on
a variety of personal topics



Individual
skills and capabilities
applied to the workplace



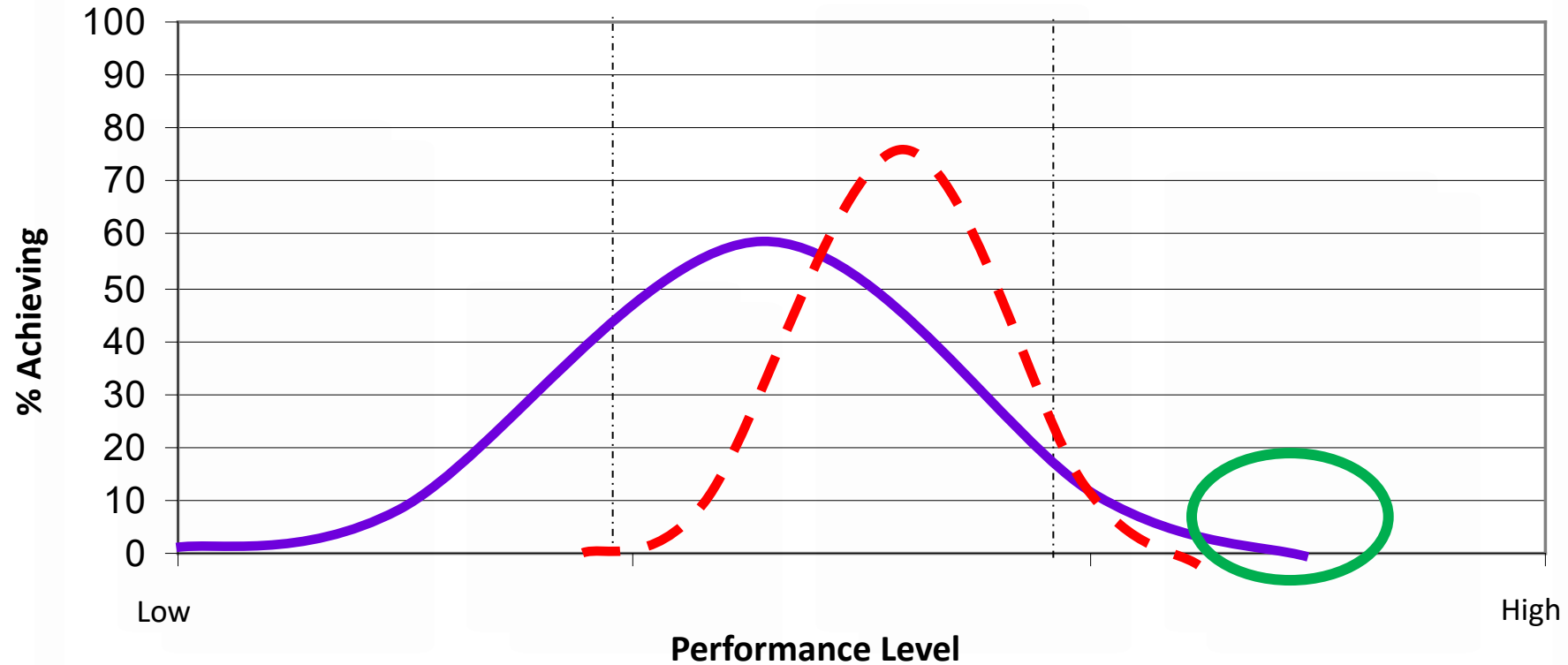
Collective behavior change
against must-win
organizational objectives

Benefits individuals



*Benefits individuals
and organizations*

Key Driver #2



Key Driver #2



Great Financial Crisis

- Sales Performance
- Strategy Execution
- Customer Loyalty



COVID Pandemic & Today

- Sales Performance
- Strategy Execution
- Customer Loyalty
- Remote/Hybrid Work
- Winning Cultures
- Talent, Engagement & Skills

Key Driver #2



Content

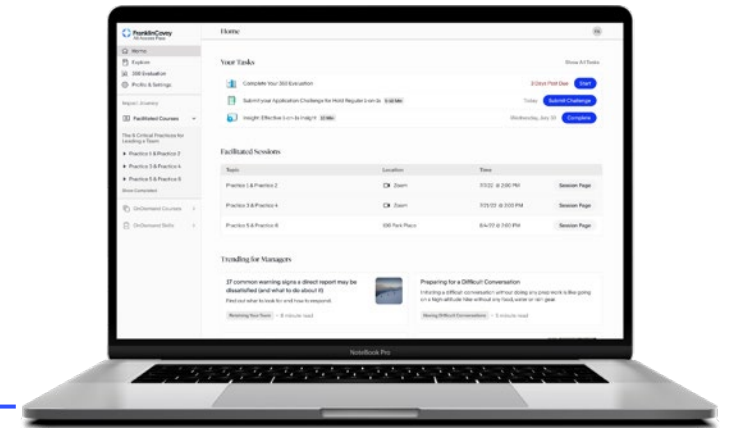
Leadership,
Individual Effectiveness,
Culture,
Business Outcomes

People

Client partners, Implementation
Strategists,
Client Engagement Coordinators,
Delivery Consultants

Technology

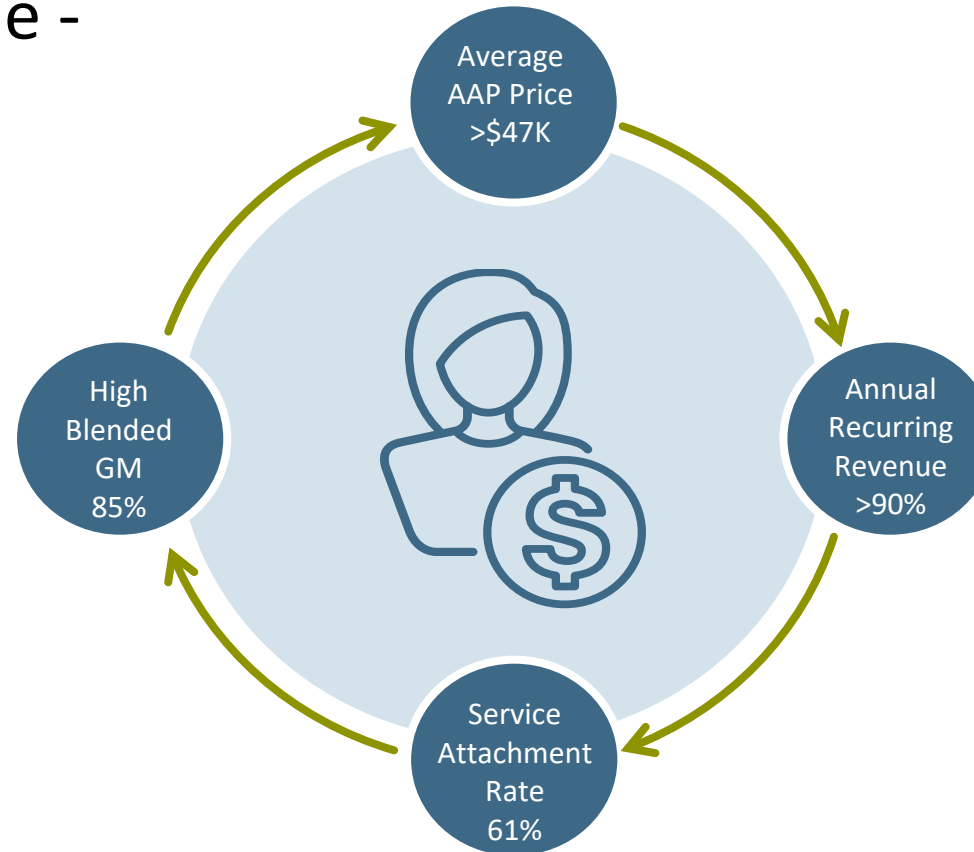
360 Assessments
OnDemand Impact Journeys
FC & Client-facilitated Impact
Journeys



Key Driver #2



Lifetime Customer Value - North America



Key Driver #3



LARGE TOTAL
ADDRESSABLE
MARKET (TAM)

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CASH FLOW TO
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ADDITIONAL
VALUE

Key Driver #3



Total Company

+29%

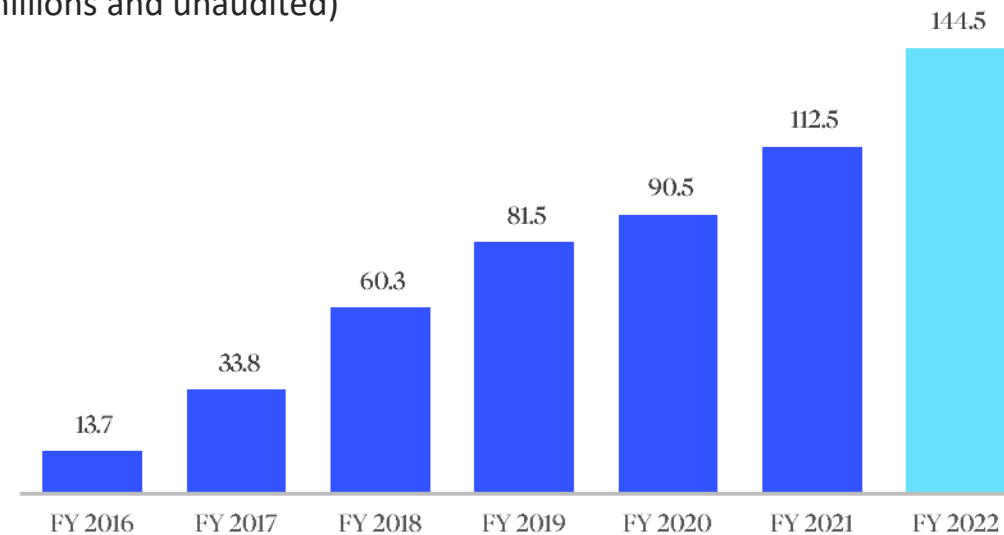
Subscription & Subscription Services
Revenue

+23% Q4

Key Driver #3



AAP Subscription & Subscription Services (in millions and unaudited)



Key Driver #3



Education Division

+29%

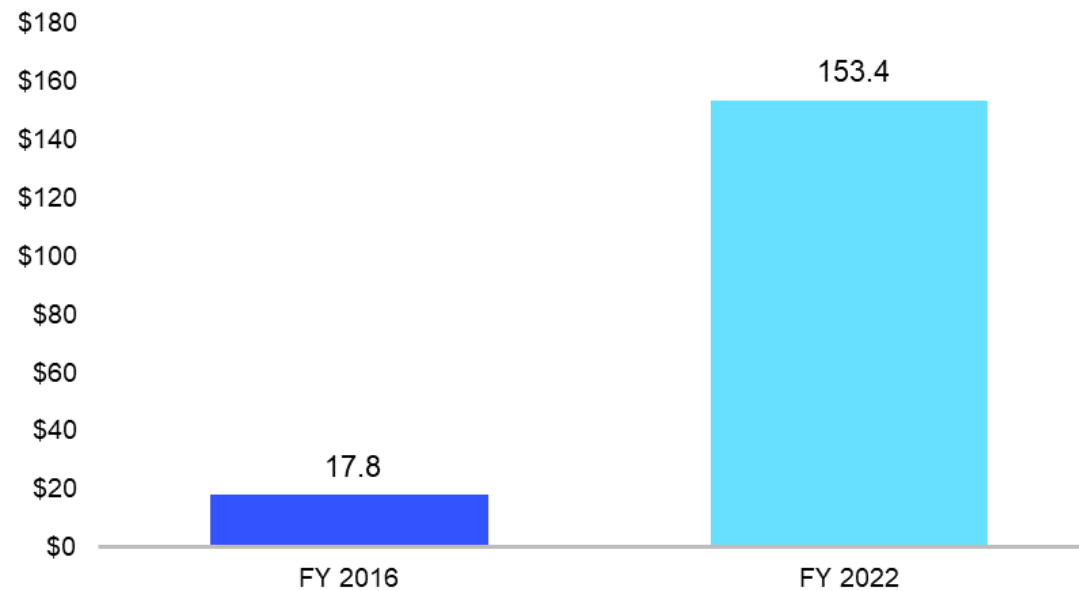
Subscription & Subscription Services Revenue

18% Q4

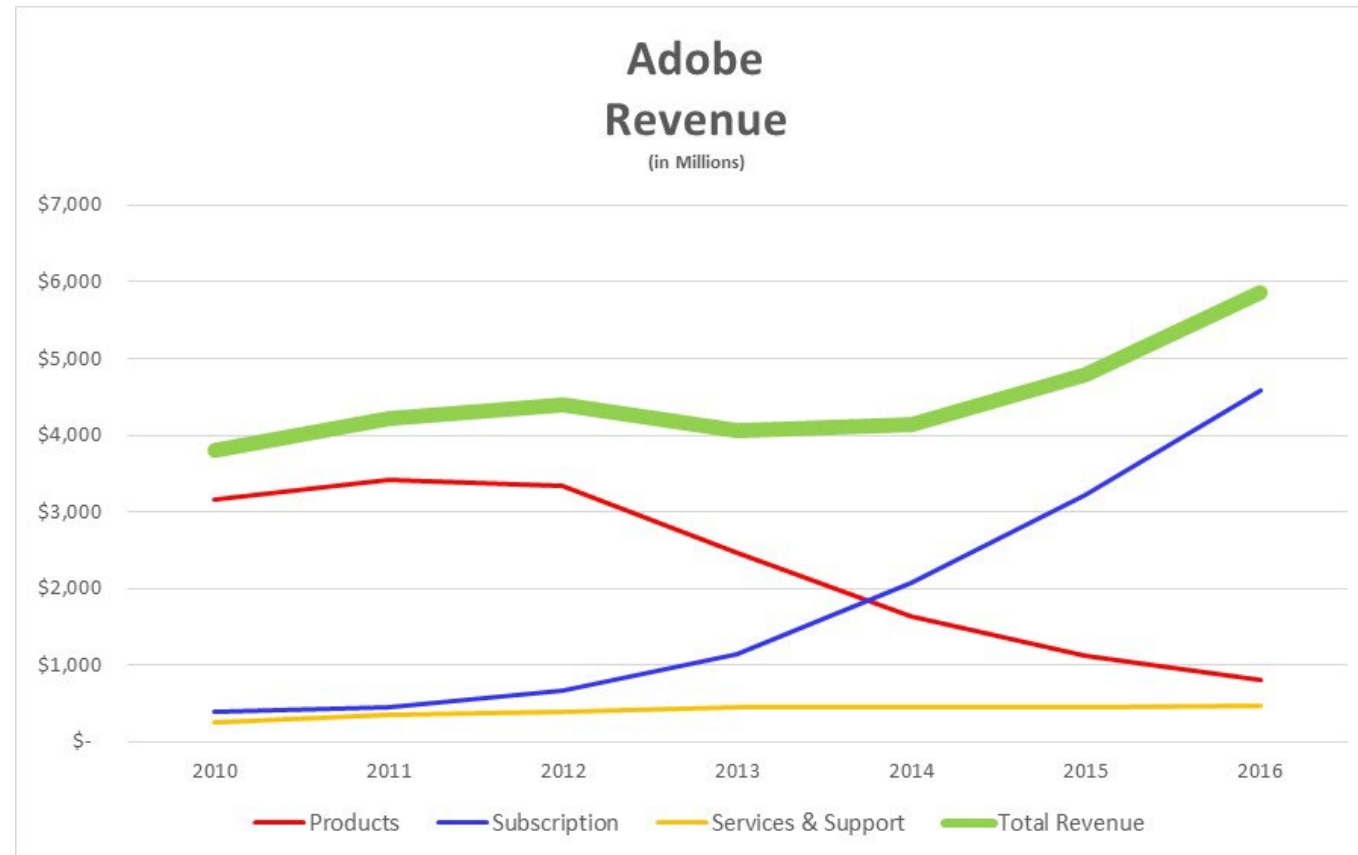
Key Driver #3



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



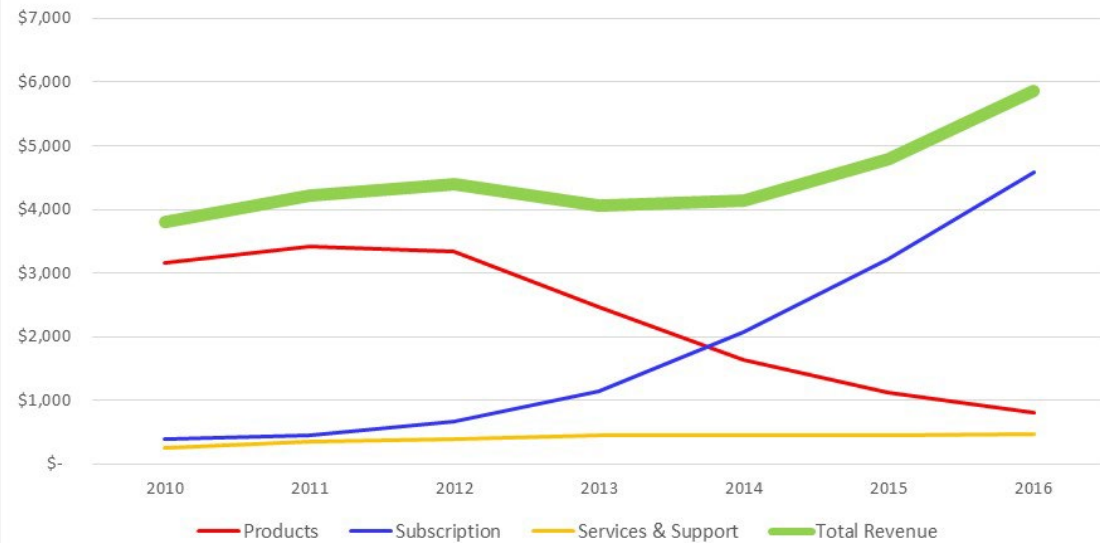
Key Driver #3



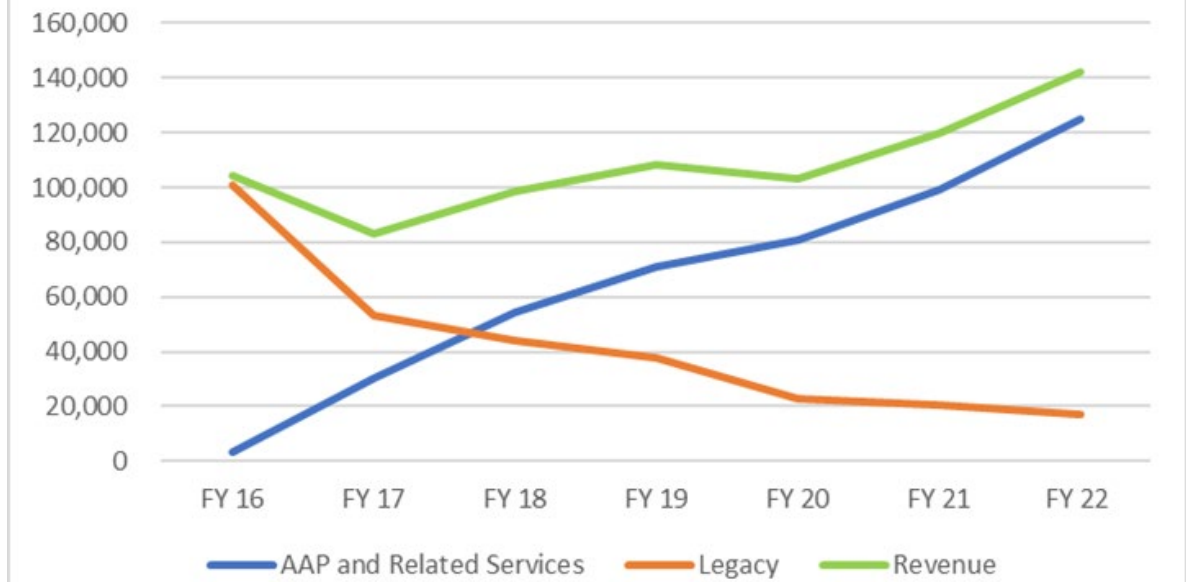
Key Driver #3



Adobe Revenue
(in Millions)



North America Sales



Key Driver #4



LARGE TOTAL
ADDRESSABLE
MARKET (TAM)

FOCUSED ON
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LUCRATIVE &
DURABLE SPACE

SUBSCRIPTION
MODEL DRIVES
GROWTH,
PREDICTABILITY
AND PROFITABILITY

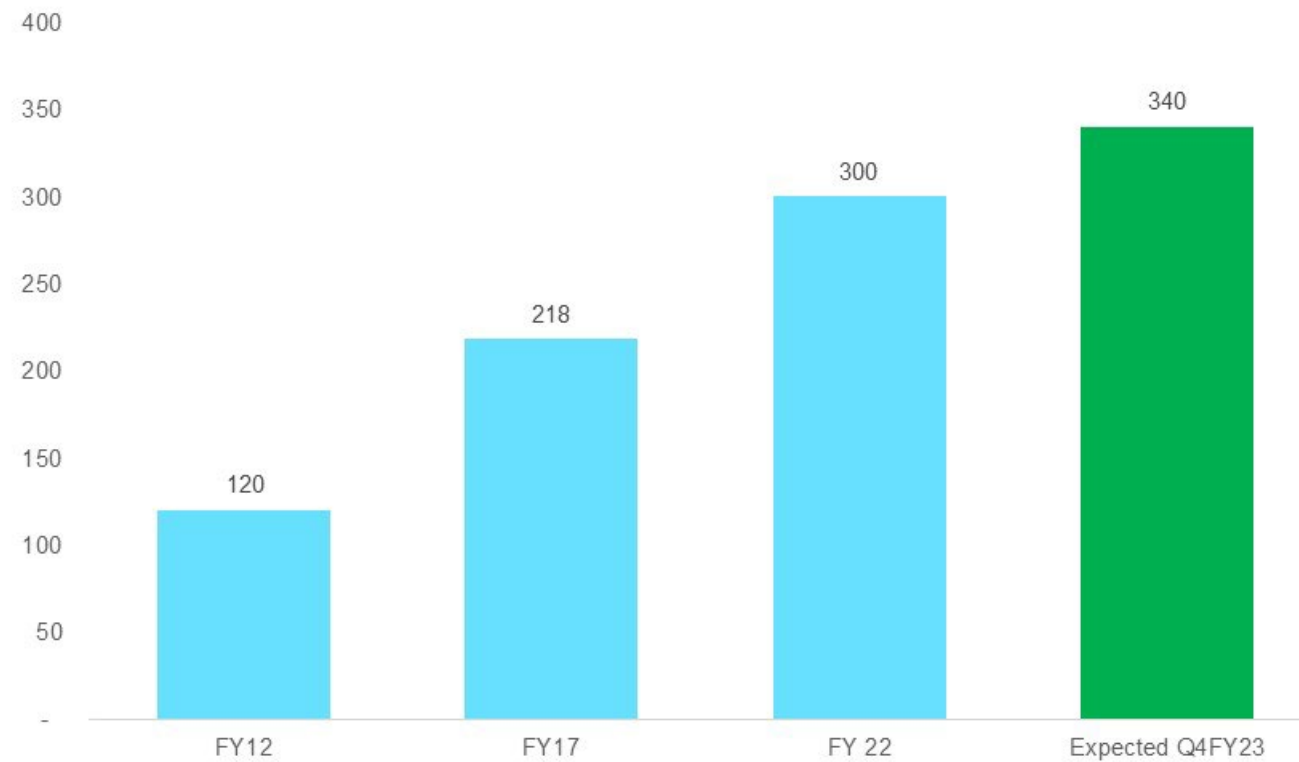
COMPELLING
OPPORTUNITIES
FOR GROWTH

INVESTING FREE
CASH FLOW TO
CREATE
ADDITIONAL
VALUE

Key Driver #4



Client Partners



Key Driver #5



LARGE TOTAL
ADDRESSABLE
MARKET (TAM)

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LUCRATIVE &
DURABLE SPACE

SUBSCRIPTION
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COMPELLING
OPPORTUNITIES
FOR GROWTH

INVESTING FREE
CASH FLOW TO
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VALUE

Outlook



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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 FY2022, including localization of AAP content, AAP content development, and Education content development.
- Share Count: 13,858K shares outstanding as of August 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: 300 on August 31, 2022.
- Impact of FX in Q4 of FY22: decrease to sales \$1.4M in Q4 of FY2022; decrease to Adjusted EBITDA \$0.8M in Q4 of FY2022. Impact for FY22 was a decrease of sales of \$2.6M and a decrease to Adjusted EBITDA of \$1.4M.

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)



	Fiscal 2022	Fiscal 2021	Chg	%		Q4 FY22	Q4 FY 21	Chg	%
Sales	\$ 262.8	\$ 224.2	\$ 38.7	17.3%		\$ 78.8	\$ 68.9	\$ 9.9	14.3%
Cost of Sales	60.9	51.3	9.7	18.8%		19.7	15.7	4.1	25.9%
Gross Profit	201.9	172.9	29.0	16.8%		59.1	53.3	5.8	10.9%
Gross Profit %	76.8%	77.1%	(31)	bps		75.0%	77.3%	(231)	bps
Operating SG&A	159.7	144.9	14.8	10.2%		45.7	42.7	3.0	7.0%
Operating SG&A %	60.8%	64.7%	389	bps		58.0%	62.0%	394	bps
Adjusted EBITDA	\$ 42.2	\$ 28.0	\$ 14.2	50.9%		\$ 13.3	\$ 10.6	\$ 2.8	26.5%

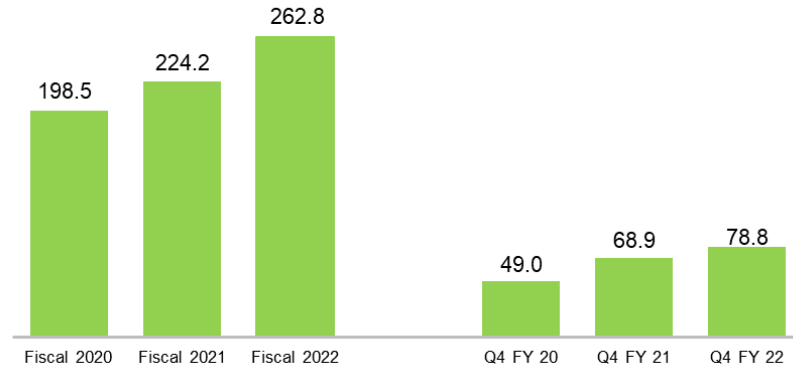
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

FranklinCovey Financial Summary

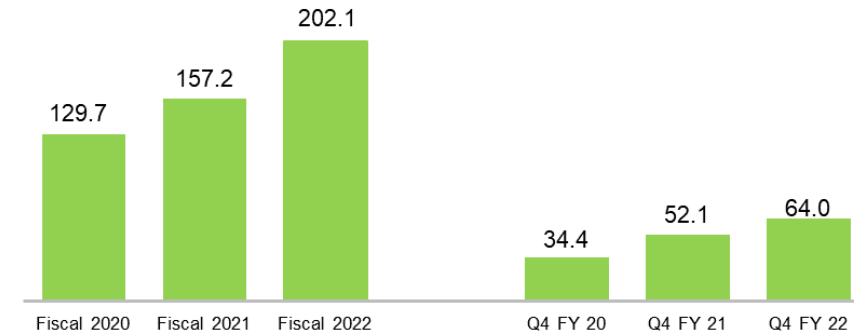
(in millions and unaudited)



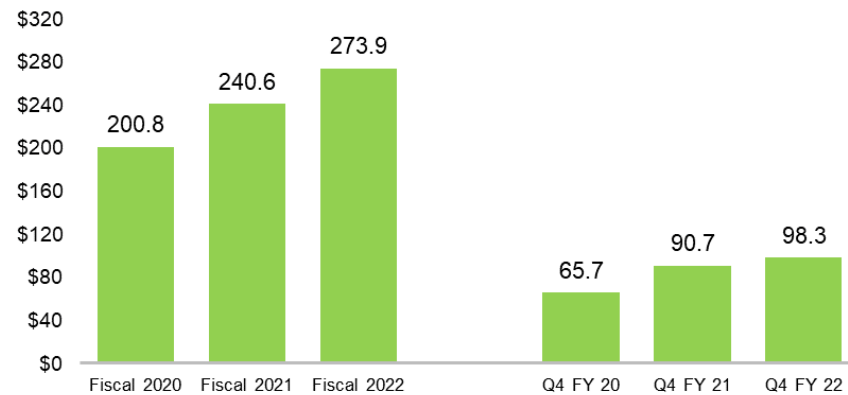
REVENUE



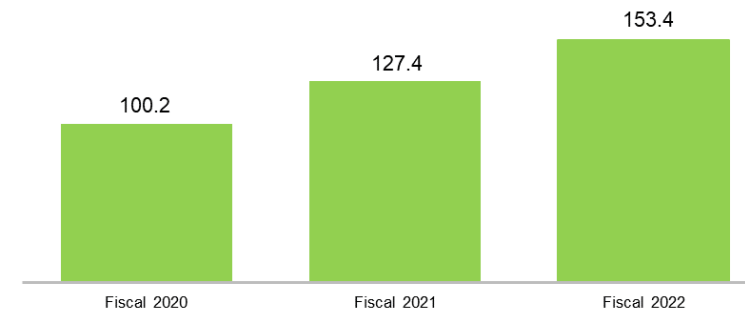
SUBSCRIPTION AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED REVENUE

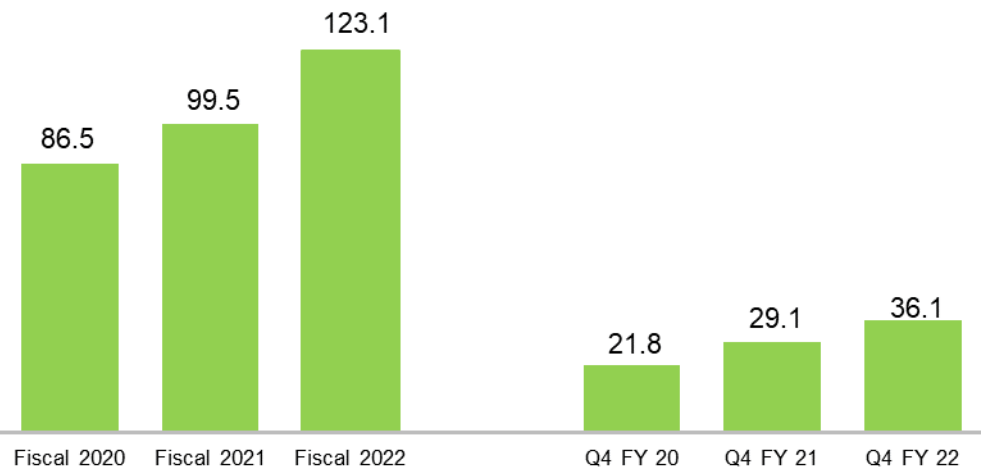


Trends in the Business

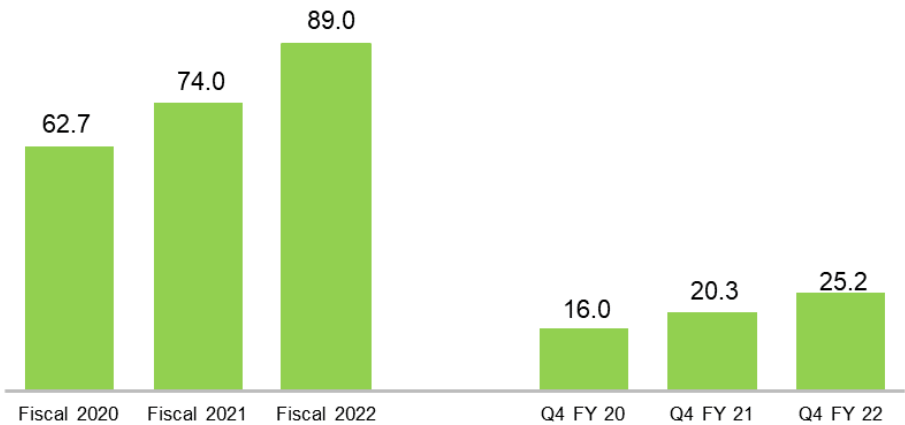
(in millions and unaudited)



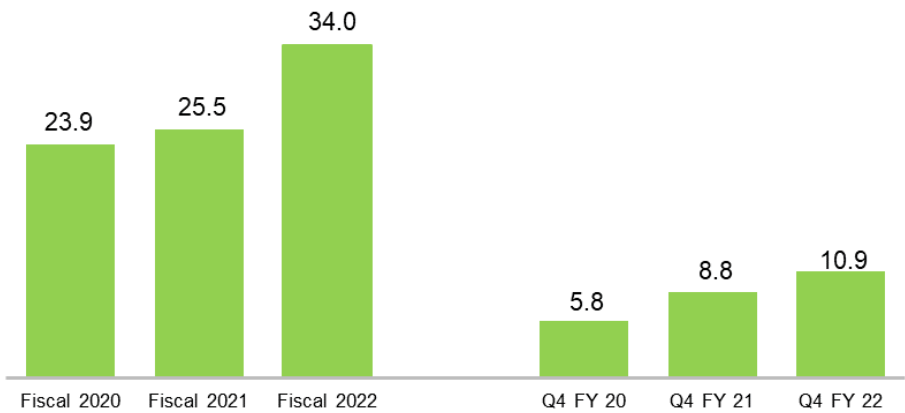
SUBSCRIPTION REVENUE



AAP SUBSCRIPTION REVENUE

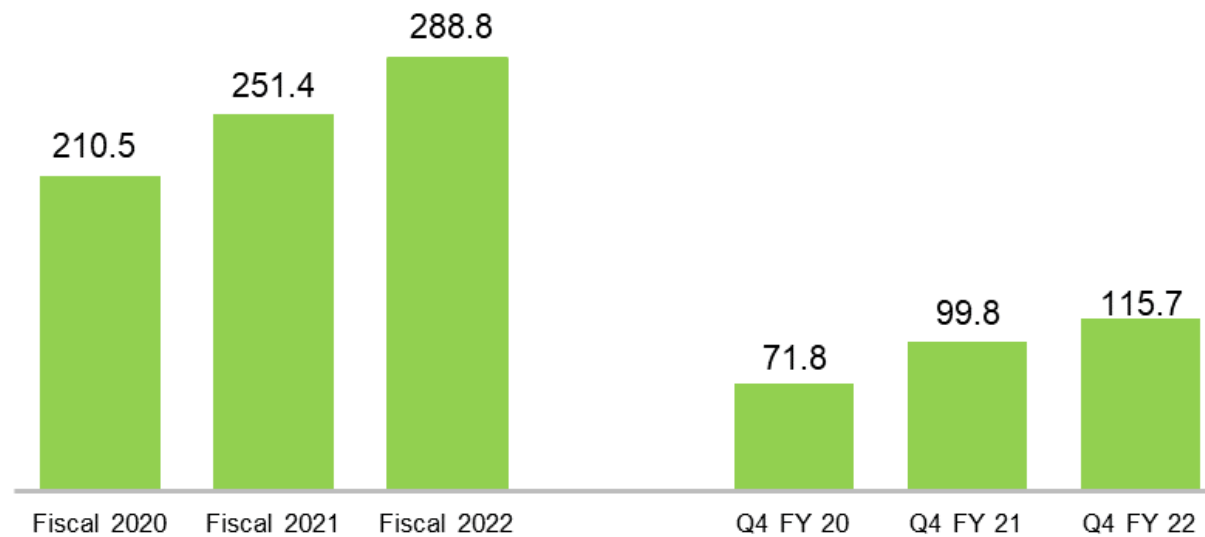


EDUCATION SUBSCRIPTION REVENUE



Contracted

(in millions and unaudited)



Sales Information

(in millions and unaudited)



			FY2020					FY 2021					FY 2022				
	FY2018	FY2019	Q1	Q2	Q3	Q4	FY2020	Q1	Q2	Q3	Q4	FY2021	Q1	Q2	Q3	Q4	FY2022
Sales																	
Reported Net Sales	209.8	225.4	58.6	53.7	37.1	49.0	198.5	48.3	48.2	58.7	68.9	224.2	61.3	56.6	66.2	78.8	262.8
Change in Deferred Revenue	11.4	8.3	(9.5)	(0.7)	(4.1)	16.7	2.4	(3.6)	1.6	(3.2)	21.7	16.5	(9.3)	2.6	(1.8)	19.5	11.0
Invoiced Amount	221.2	233.7	49.1	53.0	33.1	65.7	200.8	44.7	49.8	55.5	90.7	240.6	52.0	59.2	64.4	98.3	273.9
Balance Sheet																	
Roll-Forward of Deferred Subscription Revenue																	
Beginning Balance (deferred revenue)	36.4	48.4	58.2	48.7	48.0	43.9	58.2	60.6	57.0	58.5	55.3	60.6	77.0	67.8	70.4	68.5	77.0
Subscription Invoiced	69.7	82.8	11.6	20.6	18.2	38.5	88.9	18.0	24.4	22.7	50.8	115.9	19.1	30.6	28.8	55.6	134.1
Amounts Recorded to Revenue	(58.3)	(74.5)	(21.1)	(21.3)	(22.3)	(21.8)	(86.5)	(21.7)	(22.9)	(25.9)	(29.1)	(99.5)	(28.4)	(28.0)	(30.6)	(36.1)	(123.1)
Change in Deferred Revenue	11.4	8.3	(9.5)	(0.7)	(4.1)	16.7	2.4	(3.6)	1.6	(3.2)	21.7	16.4	(9.3)	2.6	(1.8)	19.5	11.0
FX, 606, and Other Changes	0.6	1.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance (Def Subscription Revenue)	48.4	58.2	48.7	48.0	43.9	60.6	60.6	57.0	58.5	55.3	77.0	77.0	67.8	70.4	68.5	88.1	88.1
Unbilled Deferred Contracts																	
Beginning Balance (off balance sheet)	17.2	24.5	29.9	34.0	34.8	33.4	29.9	39.6	40.5	37.4	41.3	39.6	50.4	53.4	49.0	48.0	50.4
New Unbilled Contracts	20.2	22.3	7.0	8.5	4.7	13.2	33.5	5.8	5.3	9.0	17.2	37.3	8.6	9.4	8.0	27.4	53.4
Amounts Invoiced	(12.9)	(16.9)	(3.0)	(7.7)	(6.1)	(7.1)	(23.9)	(5.0)	(8.3)	(5.2)	(8.1)	(26.5)	(5.6)	(13.8)	(9.0)	(10.0)	(38.4)
Ending Balance (off balance sheet)	24.5	29.9	34.0	34.8	33.4	39.6	39.6	40.5	37.4	41.3	50.4	50.4	53.4	49.0	48.0	65.4	65.4
Breakout of Deferred Sales (above)																	
Subscription Sales (Invoiced Amounts)																	
All Access Pass Subscriptions	48.8	58.3	10.3	19.4	11.8	22.1	63.6	15.9	22.5	16.9	25.8	81.0	16.4	28.2	20.8	26.7	92.1
Education Subscription Contracts	19.2	21.9	1.2	0.7	6.1	16.2	24.2	1.7	1.4	5.6	24.0	32.7	2.5	2.1	7.8	26.9	39.3
Other	1.7	2.7	0.2	0.5	0.3	0.2	1.2	0.4	0.6	0.2	1.0	2.2	0.2	0.3	0.2	2.0	2.7
Total Additions to balance sheet	69.7	82.8	11.6	20.6	18.2	38.5	88.9	18.0	24.4	22.7	50.8	115.9	19.1	30.6	28.8	55.6	134.1

Notes:

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

FranklinCovey Contracts Signed

(in millions and unaudited)



Fourth Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY22	FY21	Change	%	FY22	FY21	Change	%	FY22	FY21	Change	FY22	FY21	Change	%
Sales	52.2	46.0	6.1	13.3%	24.6	21.0	3.6	17.2%	2.0	1.9	0.1	78.8	68.9	9.9	14.3%
Change in Deferred Subscription Revenue	3.5	6.6	(3.0)	-46.2%	16.0	15.2	0.8	5.0%	-	(0.0)	0.0	19.5	21.7	(2.2)	-10.3%
Invoiced Amounts	55.7	52.6	3.1	5.9%	40.6	36.3	4.4	12.1%	2.0	1.8	0.2	98.3	90.7	7.6	8.4%
Change in Unbilled Deferred Revenue	17.6	8.7	8.9	101.6%	(0.2)	0.4	(0.5)	-138.5%	(0.0)	(0.0)	0.0	17.4	9.1	8.3	91.3%
Total Contracts Signed	73.3	61.3	11.9	19.5%	40.5	36.6	3.8	10.5%	2.0	1.8	0.2	115.7	99.8	15.9	16.0%

Full Year	Enterprise Division				Education Division				Corporate			Total Company			
	FY22	FY21	Change	%	FY22	FY21	Change	%	FY22	FY21	Change	FY22	FY21	Change	%
Sales	194.4	168.6	25.8	15.3%	61.9	48.9	12.9	26.5%	6.6	6.6	(0.0)	262.8	224.2	38.7	17.3%
Change in Deferred Subscription Revenue	5.7	9.5	(3.8)	-39.7%	5.3	7.0	(1.7)	-24.7%	0.0	(0.1)	0.1	11.0	16.5	(5.5)	-33.1%
Invoiced Amounts	200.1	178.2	22.0	12.3%	67.1	55.9	11.2	20.1%	6.6	6.6	0.0	273.9	240.6	33.2	13.8%
Change in Unbilled Deferred Revenue	15.4	10.7	4.6	43.2%	(0.4)	0.1	(0.4)	-642.1%	(0.0)	(0.0)	(0.0)	15.0	10.8	4.2	38.8%
Total Contracts Signed	215.5	188.9	26.6	14.1%	66.7	56.0	10.8	19.2%	6.6	6.6	0.0	288.8	251.4	37.4	14.9%

As of August 31	Enterprise Division				Education Division				Corporate			Total Company			
	FY22	FY21	Change	%	FY22	FY21	Change	%	FY22	FY21	Change	FY22	FY21	Change	%
Deferred Subscription Revenue Balance	55.3	49.6	5.7	11.6%	32.7	27.4	5.3	19.4%	-	-	-	88.1	77.0	11.0	14.3%
Unbilled Deferred Revenue Balance	64.6	49.2	15.4	31.2%	0.8	1.2	(0.4)	-32.5%	-	-	-	65.4	50.4	15.0	29.7%
Total	119.9	98.8	21.1	21.3%	33.5	28.6	4.9	17.3%	-	-	-	153.4	127.4	26.0	20.4%

Notes:

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

Reconciliation of Net Income to Adjusted EBITDA

(in thousands and unaudited)



	Quarter Ended		Fiscal Year Ended	
	August 31, 2022	August 31, 2021	August 31, 2022	August 31, 2021
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 5,578	\$ 1,807	\$ 18,430	\$ 13,623
Adjustments:				
Interest expense, net	383	449	1,610	2,026
Income tax provision (benefit)	2,702	2,057	3,634	(7,548)
Amortization	1,160	1,503	5,266	5,006
Depreciation	1,217	1,286	4,903	6,190
Stock-based compensation	2,299	3,490	8,286	8,617
Increase in the fair value of contingent consideration liabilities	8	28	68	193
Business acquisition costs	-	-	-	300
Government COVID assistance	-	(64)	-	(299)
Gain from insurance settlement	-	-	-	(150)
Adjusted EBITDA	<u>\$ 13,347</u>	<u>\$ 10,556</u>	<u>\$ 42,197</u>	<u>\$ 27,958</u>
Adjusted EBITDA margin	16.9%	15.3%	16.1%	12.5%

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

Additional Financial Information

(in thousands and unaudited)



	Quarter Ended		Fiscal Year Ended	
	August 31, 2022	August 31, 2021	August 31, 2022	August 31, 2021
Sales by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 49,807	\$ 44,422	\$ 183,845	\$ 159,608
International licensees	2,355	1,616	10,551	9,036
	52,162	46,038	194,396	168,644
Education Division	24,650	21,028	61,852	48,902
Corporate and other	1,994	1,879	6,593	6,622
Consolidated	\$ 78,806	\$ 68,945	\$ 262,841	\$ 224,168
Gross Profit by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 39,757	\$ 36,215	\$ 148,051	\$ 129,416
International licensees	2,038	1,273	9,382	7,727
	41,795	37,488	157,433	137,143
Education Division	16,457	15,262	41,206	32,771
Corporate and other	815	518	3,273	2,988
Consolidated	\$ 59,067	\$ 53,268	\$ 201,912	\$ 172,902
Adjusted EBITDA by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 8,833	\$ 6,211	\$ 37,497	\$ 27,948
International licensees	546	(11)	4,964	3,586
	9,379	6,200	42,461	31,534
Education Division	6,610	6,823	8,408	4,818
Corporate and other	(2,642)	(2,467)	(8,672)	(8,394)
Consolidated	\$ 13,347	\$ 10,556	\$ 42,197	\$ 27,958

Condensed Consolidated Balance Sheets

(in thousands and unaudited)



	August 31, 2022	August 31, 2021
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 60,517	\$ 47,417
Accounts receivable, less allowance for doubtful accounts of \$4,492 and \$4,643	72,561	70,680
Inventories	3,527	2,496
Income taxes receivable	-	-
Prepaid expenses and other current assets	19,278	16,115
Total current assets	155,883	136,708
Property and equipment, net	9,798	11,525
Intangible assets, net	44,833	50,097
Goodwill	31,220	31,220
Deferred income tax assets	4,686	4,951
Other long-term assets	12,735	15,153
	<u>\$ 259,155</u>	<u>\$ 249,654</u>

	August 31, 2022	August 31, 2021
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Current portion of notes payable	\$ 5,835	\$ 5,835
Current portion of financing obligation	3,199	2,887
Accounts payable	10,864	6,948
Deferred subscription revenue	85,543	74,772
Other deferred revenue	14,150	11,117
Accrued liabilities	34,205	34,980
Total current liabilities	153,796	136,539
Notes payable, less current portion	7,268	12,975
Financing obligation, less current portion	7,962	11,161
Other liabilities	7,116	8,741
Deferred income tax liabilities	199	375
Total liabilities	176,341	169,791
Shareholders' equity:		
Common stock	1,353	1,353
Additional paid-in capital	220,246	214,888
Retained earnings	82,021	63,591
Accumulated other comprehensive income (loss)	(542)	709
Treasury stock at cost, 13,203 and 12,889 shares	(220,264)	(200,678)
Total shareholders' equity	82,814	79,863
	<u>\$ 259,155</u>	<u>\$ 249,654</u>

Condensed Consolidated Income Statements

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



	Quarter Ended		Fiscal Year Ended	
	August 31, 2022	August 31, 2021	August 31, 2022	August 31, 2021
Net sales	\$ 78,806	\$ 68,945	\$ 262,841	\$ 224,168
Cost of sales	19,739	15,677	60,929	51,266
Gross profit	59,067	53,268	201,912	172,902
Selling, general, and administrative	48,027	46,166	168,069	153,605
Depreciation	1,217	1,286	4,903	6,190
Amortization	1,160	1,503	5,266	5,006
Income from operations	8,663	4,313	23,674	8,101
Interest expense, net	(383)	(449)	(1,610)	(2,026)
Income before income taxes	8,280	3,864	22,064	6,075
Income tax benefit (provision)	(2,702)	(2,057)	(3,634)	7,548
Net income	\$ 5,578	\$ 1,807	\$ 18,430	\$ 13,623
Net income per common share:				
Basic	\$ 0.40	\$ 0.13	\$ 1.30	\$ 0.97
Diluted	0.39	0.13	1.27	0.96
Weighted average common shares:				
Basic	13,857	14,156	14,147	14,090
Diluted	14,425	14,175	14,555	14,143
Other data:				
Adjusted EBITDA ⁽¹⁾	\$ 13,347	\$ 10,556	\$ 42,197	\$ 27,958

(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



YEAR ENDED AUGUST 31, <i>In thousands</i>	Year Ended August 31,	
	2022	2021
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 18,430	\$ 13,623
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,169	11,196
Amortization of capitalized curriculum development costs	3,354	3,445
Deferred income taxes	121	(9,790)
Stock-based compensation expense	8,286	8,617
Change in the fair value of contingent consideration	68	193
Amortization of right-of-use operating lease assets	913	1,003
Change in working capital	10,913	17,890
Net cash provided by operating activities	52,254	46,177
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,177)	(1,602)
Capitalized curriculum development costs	(2,154)	(2,504)
	(5,331)	(4,106)
FREE CASH FLOW	\$ 46,923	\$ 42,071

Enterprise Division Financial Summary

(in millions and unaudited)



	Fiscal 2022	Fiscal 2021	Chg	%		Q4 FY22	Q4 FY 21	Chg	%
Sales	\$ 194.4	\$ 168.6	\$ 25.8	15.3%		\$ 52.2	\$ 46.0	\$ 6.1	13.3%
Cost of Sales	37.0	31.5	5.5	17.3%		10.4	8.5	1.8	21.3%
Gross Profit	157.4	137.1	20.3	14.8%		41.8	37.5	4.3	11.5%
Gross Profit %	81.0%	81.3%	(34)	bps		80.1%	81.4%	(131)	bps
Operating SG&A	115.0	105.6	9.4	8.9%		32.4	31.3	1.1	3.6%
Operating SG&A %	59.1%	62.6%	348	bps		62.1%	68.0%	582	bps
Adjusted EBITDA	\$ 42.5	\$ 31.5	\$ 10.9	34.7%		\$ 9.4	\$ 6.2	\$ 3.2	51.3%

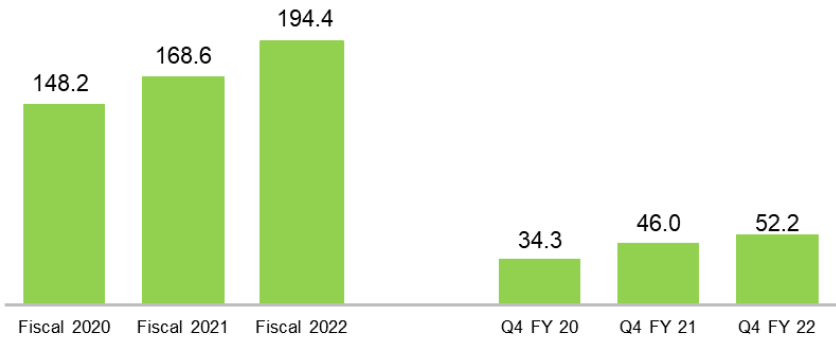
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

Enterprise Division Financial Summary

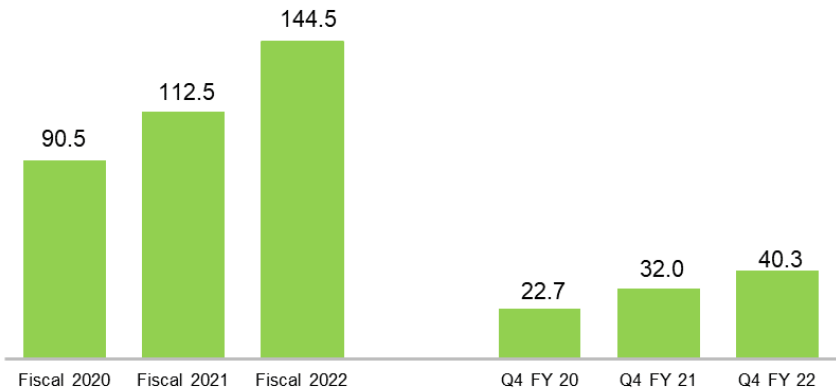
(in millions and unaudited)



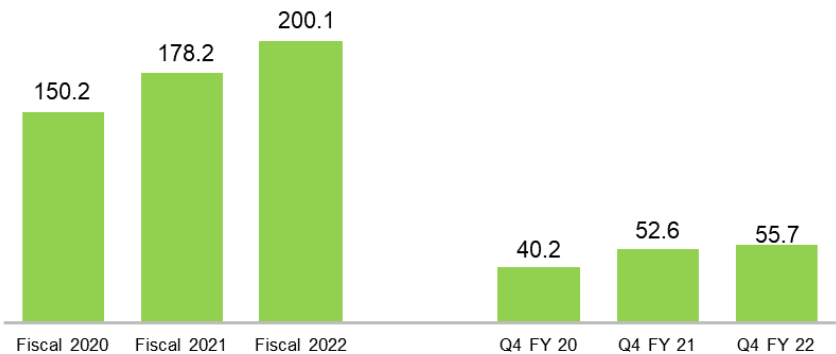
SALES



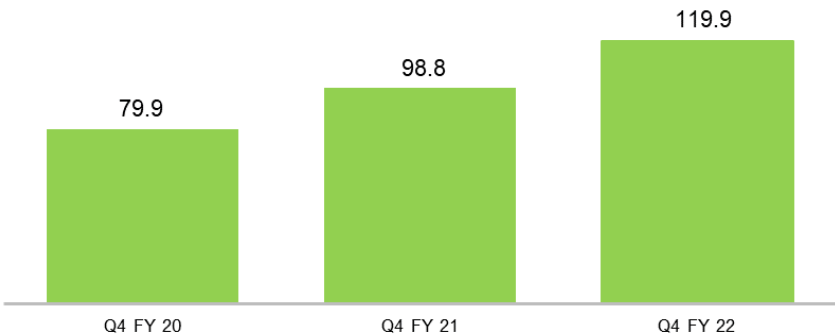
AAP AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED REVENUE



Enterprise Division AAP & Related Revenue

(in millions and unaudited)



	<i>Fiscal 2022</i>	<i>Fiscal 2021</i>	<i>Fiscal 2020</i>
AAP Sales	\$89.0	\$74.0	\$62.7
AAP Add on Sales*	55.5	38.5	27.8
Total AAP and Related	144.5	112.5	90.5
Percent of AAP and Related Sales to Total Enterprise Sales	74%	67%	61%
Legacy Sales	30.8	39.1	41.1
International licensees	10.6	9.0	8.5
Other Sales	8.5	8.0	8.1
Total Enterprise Sales	\$194.4	\$168.6	\$148.2

	<i>Fiscal 2022</i>	<i>Fiscal 2021</i>	<i>Fiscal 2020</i>
North America Sales	\$142.1	\$119.6	\$103.3
International Direct Office Sales	33.3	31.9	28.3
Other Sales	8.5	8.0	8.1
Total Direct Office Division Sales	183.8	159.5	139.8
International Licensees	10.6	9.0	8.5
Total Enterprise Sales	\$194.4	\$168.6	\$148.2

<i>Q4FY22</i>	<i>Q3FY22</i>	<i>Q2FY22</i>	<i>Q1FY22</i>	<i>Q4FY21</i>
\$25.2	\$22.4	\$20.9	\$20.5	\$20.3
15.1	16.6	11.2	12.6	11.7
40.3	39.1	32.0	33.1	32.0
77%	78%	73%	69%	70%
7.8	6.2	7.2	9.5	10.4
2.4	2.6	2.6	3.0	1.6
1.7	2.2	2.2	2.4	2.0
\$52.2	\$50.0	\$44.1	\$48.1	\$46.0
<i>Q4FY22</i>	<i>Q3FY22</i>	<i>Q2FY22</i>	<i>Q1FY22</i>	<i>Q4FY21</i>
\$39.4	\$37.8	\$31.5	\$33.4	\$33.6
\$8.8	\$7.4	\$7.8	\$9.3	\$8.7
1.7	2.2	2.2	2.4	2.0
49.8	47.4	41.5	45.1	44.4
2.4	2.6	2.6	3.0	1.6
\$52.2	\$50.0	\$44.1	\$48.1	\$46.0

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)



	Fiscal 2022	Fiscal 2021	Chg	%		Q4 FY22	Q4 FY 21	Chg	%
Sales	\$ 61.9	\$ 48.9	\$ 12.9	26.5%		\$ 24.6	\$ 21.0	\$ 3.6	17.2%
Cost of Sales	20.6	16.1	4.5	28.0%		8.2	5.8	2.4	42.1%
Gross Profit	41.2	32.8	8.4	25.7%		16.5	15.3	1.2	7.8%
Gross Profit %	66.6%	67.0%	(39)	bps		66.8%	72.6%	(581)	bps
Operating SG&A	32.8	28.0	4.8	17.3%		9.8	8.4	1.4	16.7%
Operating SG&A %	53.0%	57.2%	414	bps		39.9%	40.1%	18	bps
Adjusted EBITDA	\$ 8.4	\$ 4.8	\$ 3.6	74.5%		\$ 6.6	\$ 6.8	(\$0.2)	-3.1%

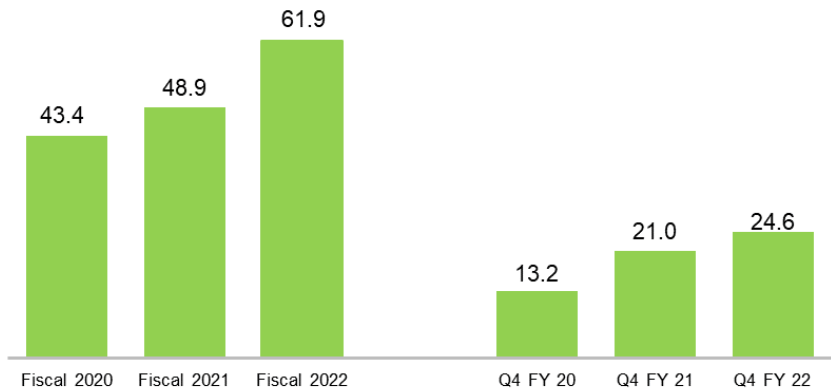
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

Education Division Financial Summary

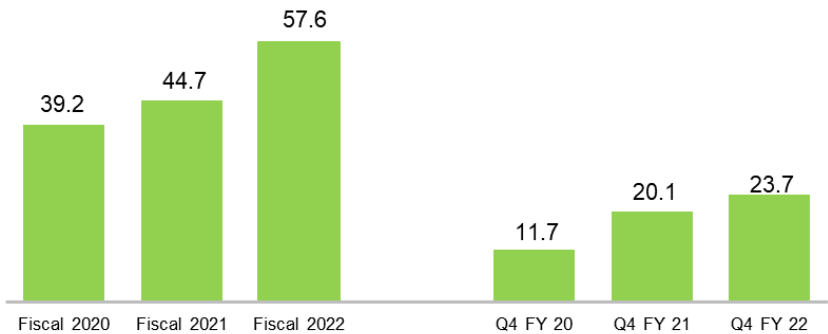
(in millions and unaudited)



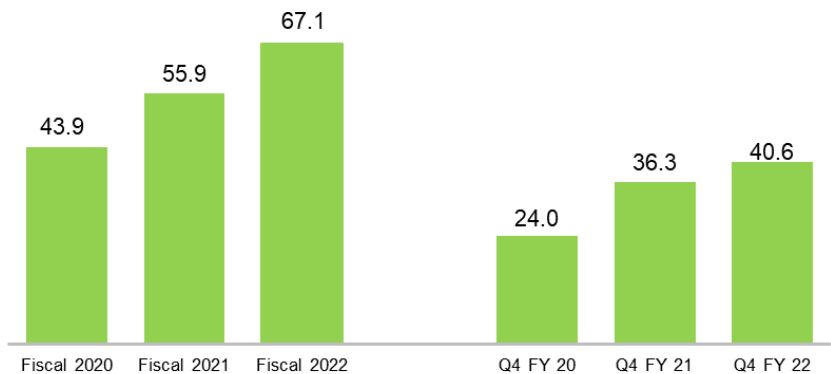
REVENUE



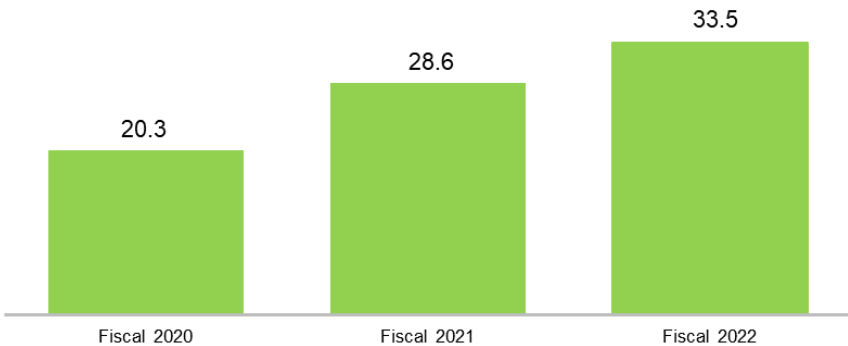
EDUCATION SUBSCRIPTION PLUS
SUBSCRIPTION SERVICES



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