Investor Update

Second Quarter ~ Fiscal Year 2021

FranklinCovey.

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 From 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.

Second Quarter Results

REVENUE WAS STRONG

GROSS MARGIN + 559 BASIS POINTS

OPERATING SG&A DECLINED $2.4M

ADJUSTED EBITDA +26% $5.1M

NET CASH +26% $21.9M

$55M IN LIQUIDITY

Momentum Review

A

FranklinCovey
ALL ACCESS PASS®

+

B

FranklinCovey
ALL ACCESS PASS®
+ COACHING & TRAINING

+

C

JAPAN & CHINA OFFICES
INTERNAT'L LICENSEES

+

D

Leader in Me®

RETENTION

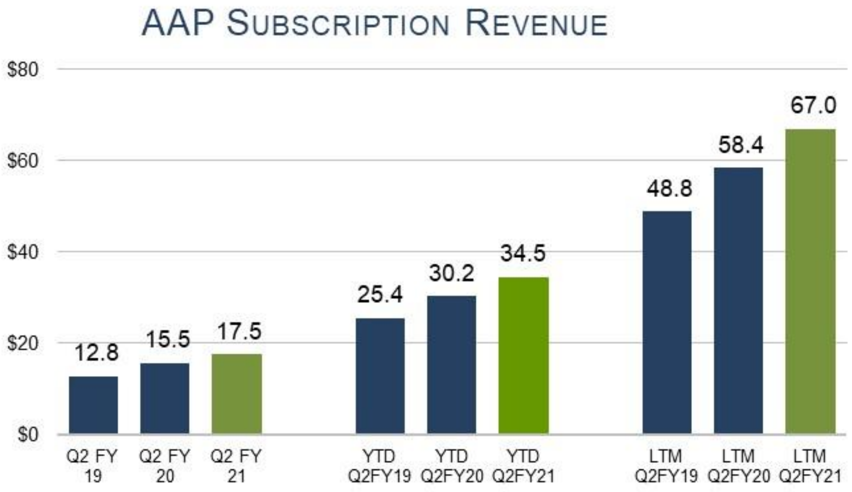
+

NEW SCHOOLS

Franklin Covey: Strong Revenue Momentum

(in millions and unaudited)

A



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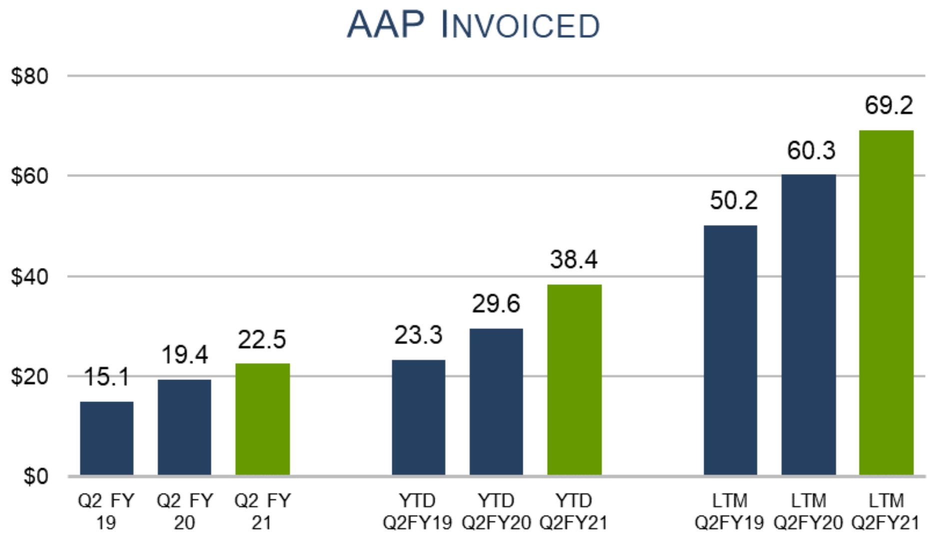

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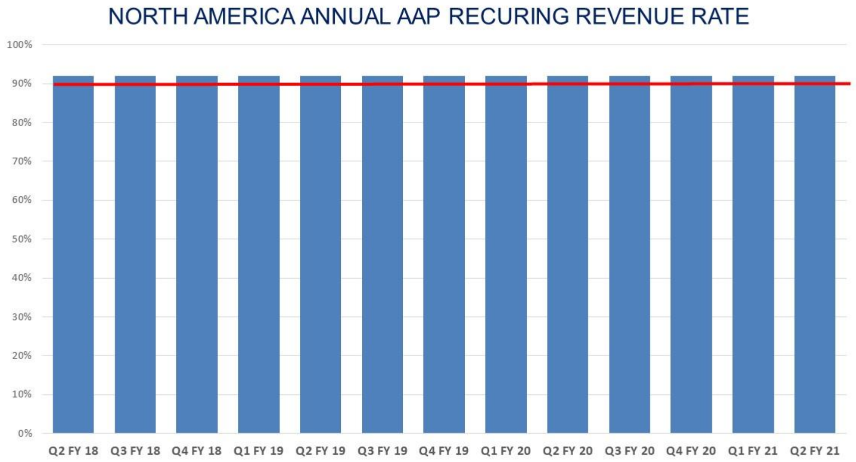

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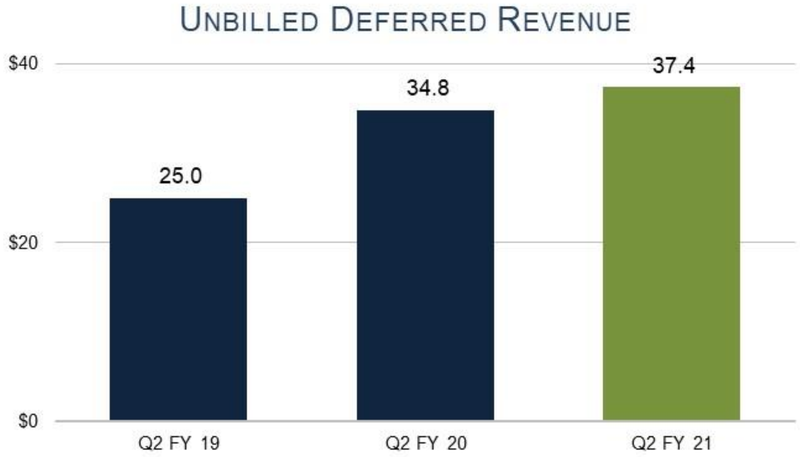
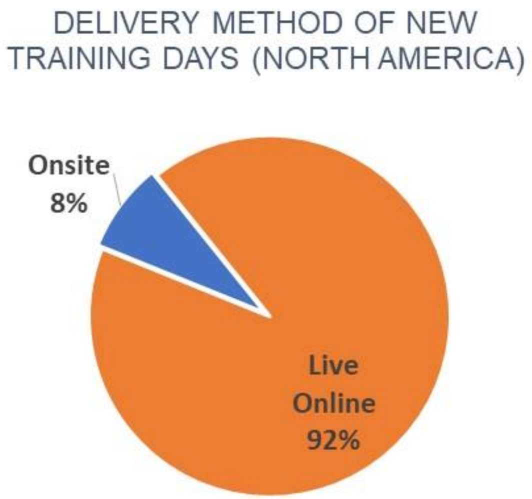


Enterprise Booking Pace

As a result, our total add-on sales of services in the U.S. and Canada are now tracking at essentially the same level as they were at this same time last year.

A

B



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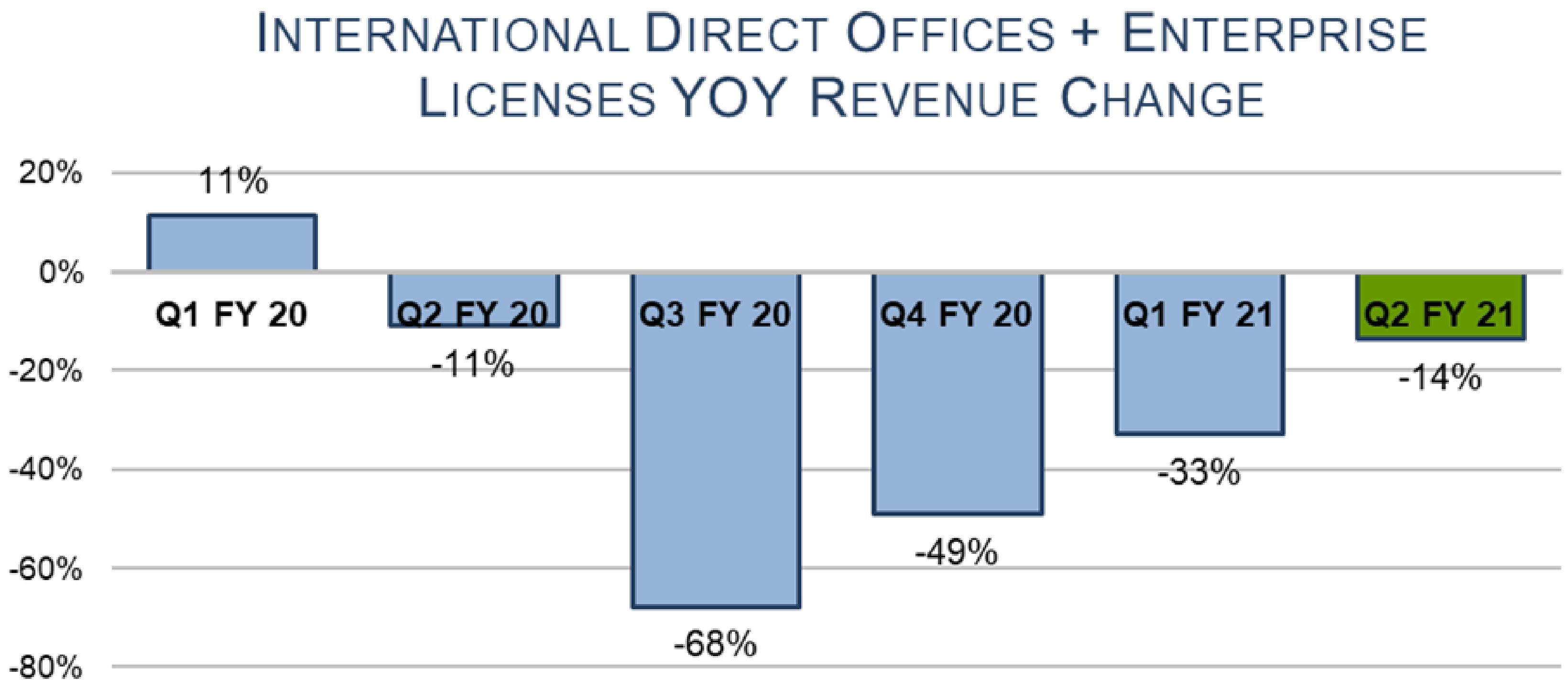
Franklin Covey: Strong Revenue Momentum

(in millions and unaudited)



Please note the seasonality between our first and second quarter as a result various international holidays that occur during the second quarter.

Education Division

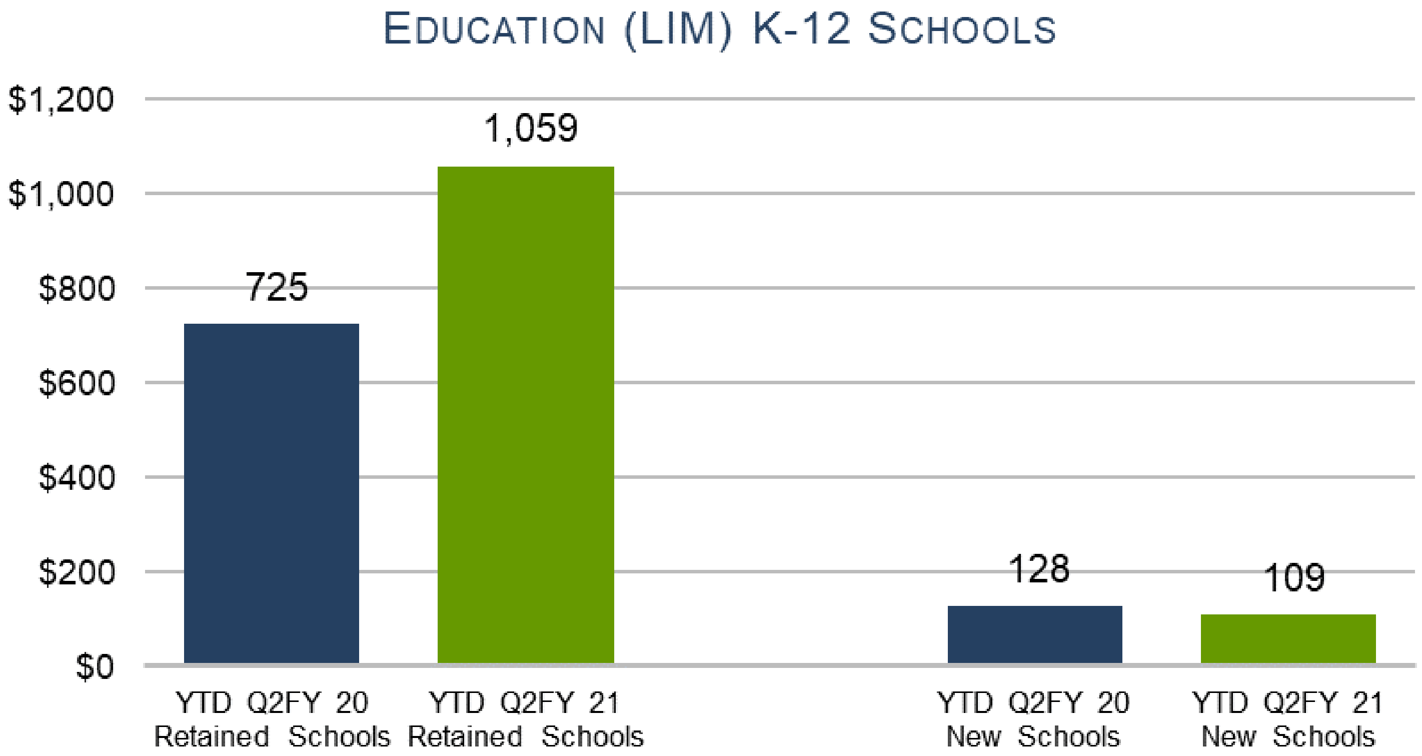


Chart shows the # of new Leader in Me schools who contracted by the end of the 2nd quarter, or are in the process of contracting,

Education Division

Congressional Education Spending

FutureEd Georgetown University	CARES Act Signed into Law March 2020	Covid Relief Package Signed into Law December 2020	American Rescue Plan Signed into Law March 2021
Education Total	$30.7 billion	$82 billion	$168 billion
K-12	$13.2	$54	$126
Higher Ed	$14	$22	$40
Governors	$3	$4	$2.7

Franklin Covey – Financial Summary

(in millions and unaudited)

	Q2FY21	Q2FY20	Chg	%	YTD Q2FY21	YTD Q2FY20	Chg	%	LTM Q2FY21	LTM Q2FY20	Chg	%
Sales	**$ 48.2**	**$ 53.7**	**($5.6)**	**-10.4%**	**$ 96.5**	**$ 112.4**	**($15.9)**	**-14.1%**	**$ 182.6**	**$ 233.5**	**($50.9)**	**-21.8%**
Cost of Sales	10.8	15.1	(4.3)	-28.2%	22.8	31.7	(8.9)	-28.1%	44.2	65.7	(21.5)	-32.7%
Gross Profit	**37.3**	**38.7**	**(1.3)**	**-3.4%**	**73.7**	**80.7**	**(7.0)**	**-8.6%**	**138.4**	**167.9**	**(29.5)**	**-17.5%**
Gross Profit %	77.5%	71.9%	559	bps	76.4%	71.8%	459	bps	75.8%	71.9%	392	bps
Operating SG&A	32.2	34.6	(2.4)	-6.9%	64.9	71.7	(6.8)	-9.5%	124.3	142.4	(18.1)	-12.7%
Operating SG&A %	66.9%	64.4%	(250)	bps	67.3%	63.8%	(346)	bps	68.1%	61.0%	(711)	bps
Adjusted EBITDA	**5.1**	**4.1**	**1.1**	**26.3%**	**8.8**	**9.0**	**(0.2)**	**-2.0%**	**14.1**	**25.5**	**(11.4)**	**-44.7%**

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.

Net Cash Generated

(in thousands and unaudited)

	Q2 FY21	Q2 FY20	Year to Date Q2 FY21	Year to Date Q2 FY20
Reported Adjusted EBITDA	$ 5,123	$ 4,056	$ 8,839	$ 8,677
Adjustments				
Change in Deferred Revenue (related to subscription sales)	1,599	(723)	(2,048)	(13,154)
Costs deferred with Deferred Revenue	(165)	123	419	2,136
Amortization of capitalized development	861	1,000	1,750	1,918
Purchases of property and equipment	(692)	(1,108)	(877)	(1,593)
Capitalized curriculum development costs	(1,029)	(1,774)	(1,292)	(721)
Cash paid for interest	(523)	(564)	(1,085)	(1,142)
Net Cash Generated	$ 5,174	$ 1,010	$ 5,706	$ (3,879)

Notes:

- 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.

Cash Flows from Operating Activities

(in thousands and unaudited)

	Two Quarters Ended	
	February 28, 2021	February 29, 2020
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (938)	$ 553
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,746	5,613
Amortization of capitalized curriculum costs	1,750	2,029
Stock-based compensation	2,757	3,644
Deferred income taxes	(198)	(2,012)
Change in fair value of contingent consideration liabilities	46	(91)
Amortization of right-of-use operating lease assets	509	-
Loss on disposal of assets	-	38
Changes in assets and liabilities, net of effect of acquired business:		
Decrease in accounts receivable, net	14,978	24,556
Decrease in inventories	346	681
Increase in prepaid expenses and other assets	(344)	(180)
Decrease in accounts payable and accrued liabilities	(244)	(6,959)
Decrease in deferred revenue	(1,497)	(8,888)
Increase (decrease) in income taxes payable/receivable	(87)	(1,605)
Decrease in other long-term liabilities	(912)	(6)
Net cash provided by operating activities	21,912	17,373

Franklin Covey – Financial Summary

(in millions and unaudited)

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Franklin Covey: Strong Revenue Momentum

(in millions and unaudited)

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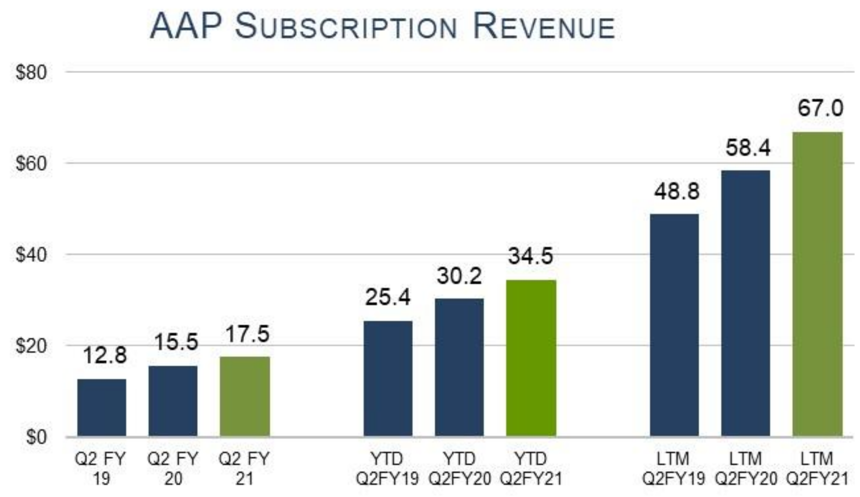

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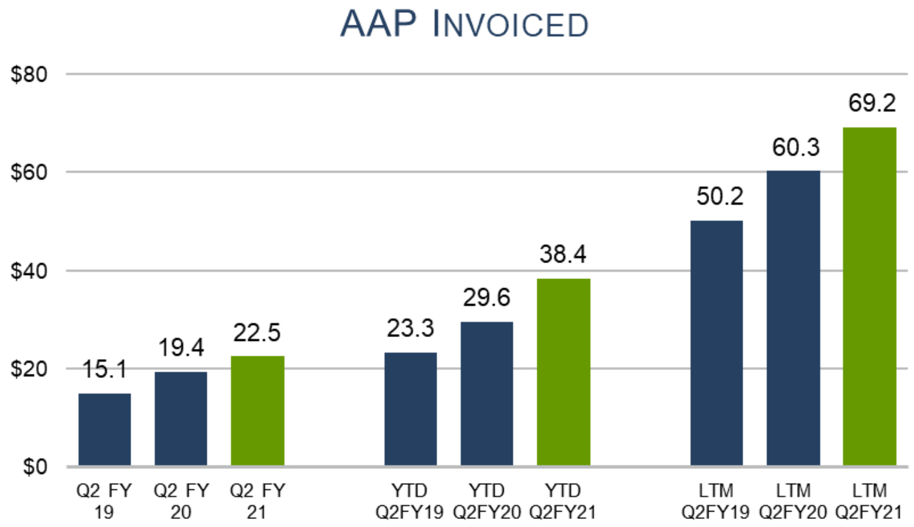

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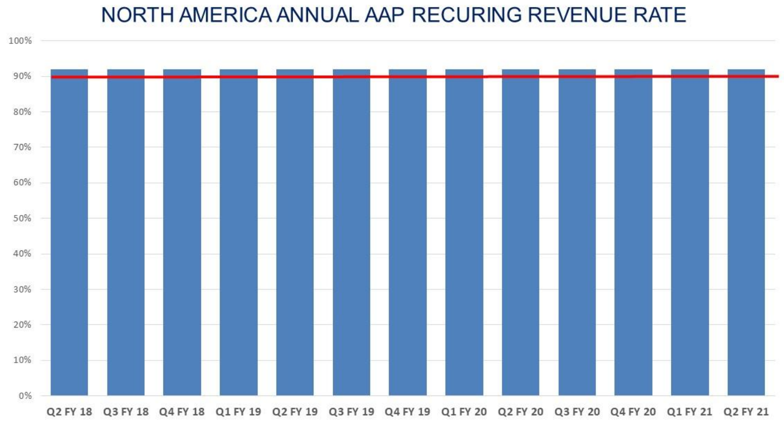

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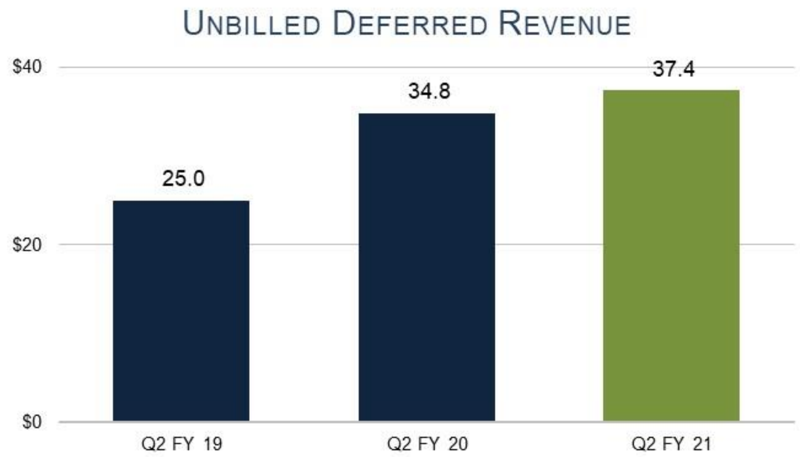

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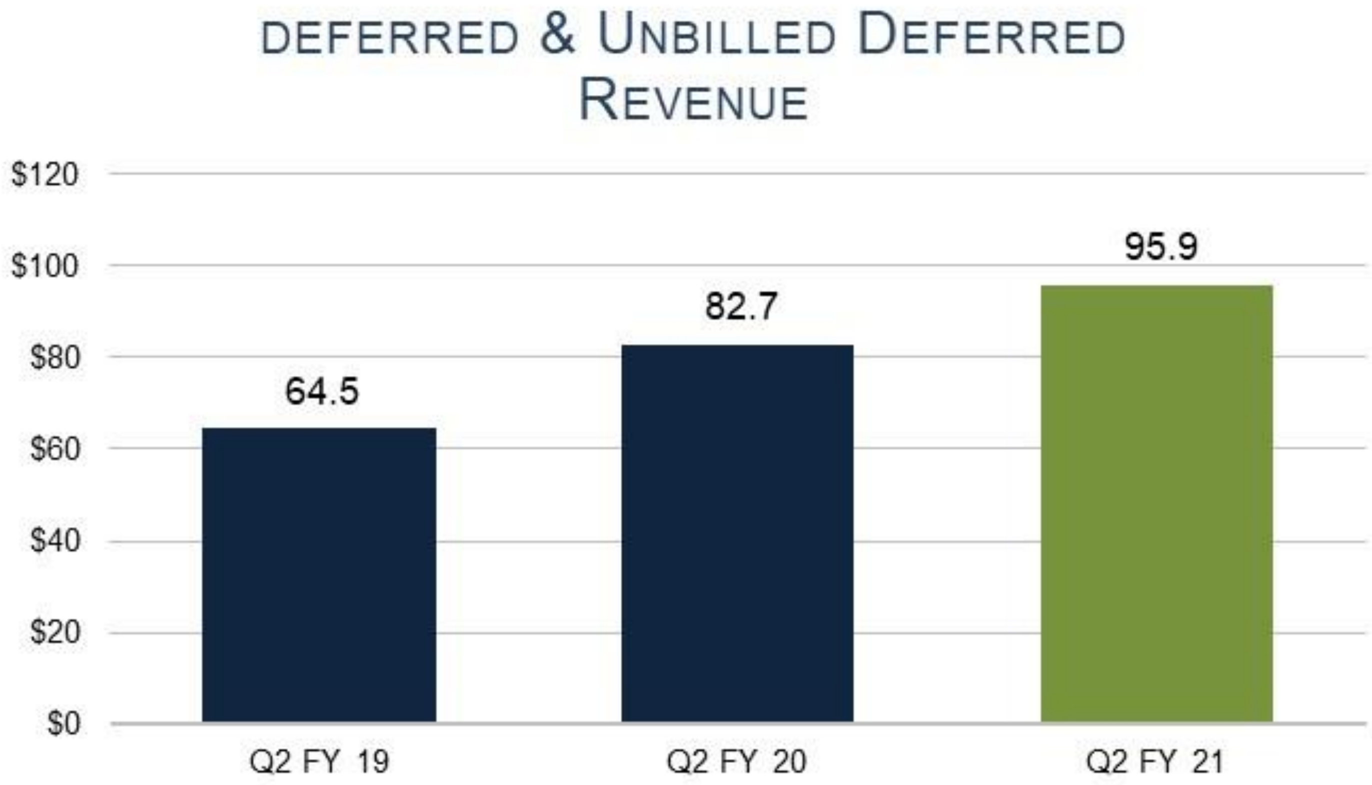
Subscription Business Strong & Durable

(in millions and unaudited)



Targets

2023
Reported Adj EBITDA: $40M

2022
Reported Adj EBITDA: $30M

2021
Reported Adj EBITDA: $20-22M

2020
Reported Adj EBITDA: $14M

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

Three Factors Expected to Drive Accelerated AAP Growth

1

COMPANY'S SALES WILL BE SUBSCRIPTION AND SUBSCRIPTION-RELATED WITHIN 3-4 YEARS

2

LIFETIME CUSTOMER VALUE CONTINUES TO INCREASE

3

STRONG SALES FORCE & LICENSEE NETWORK ACCELERATE NEW LOGOS

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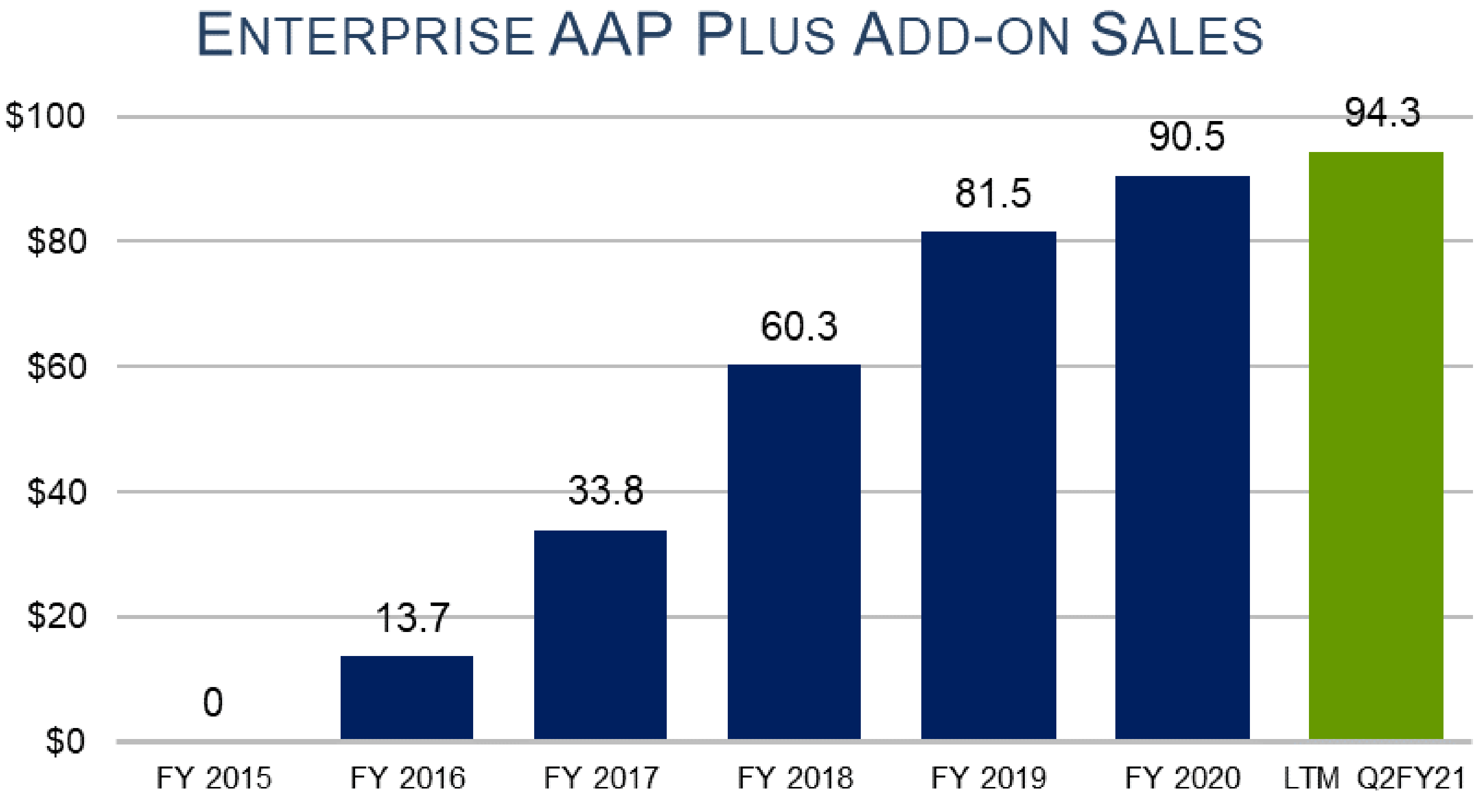
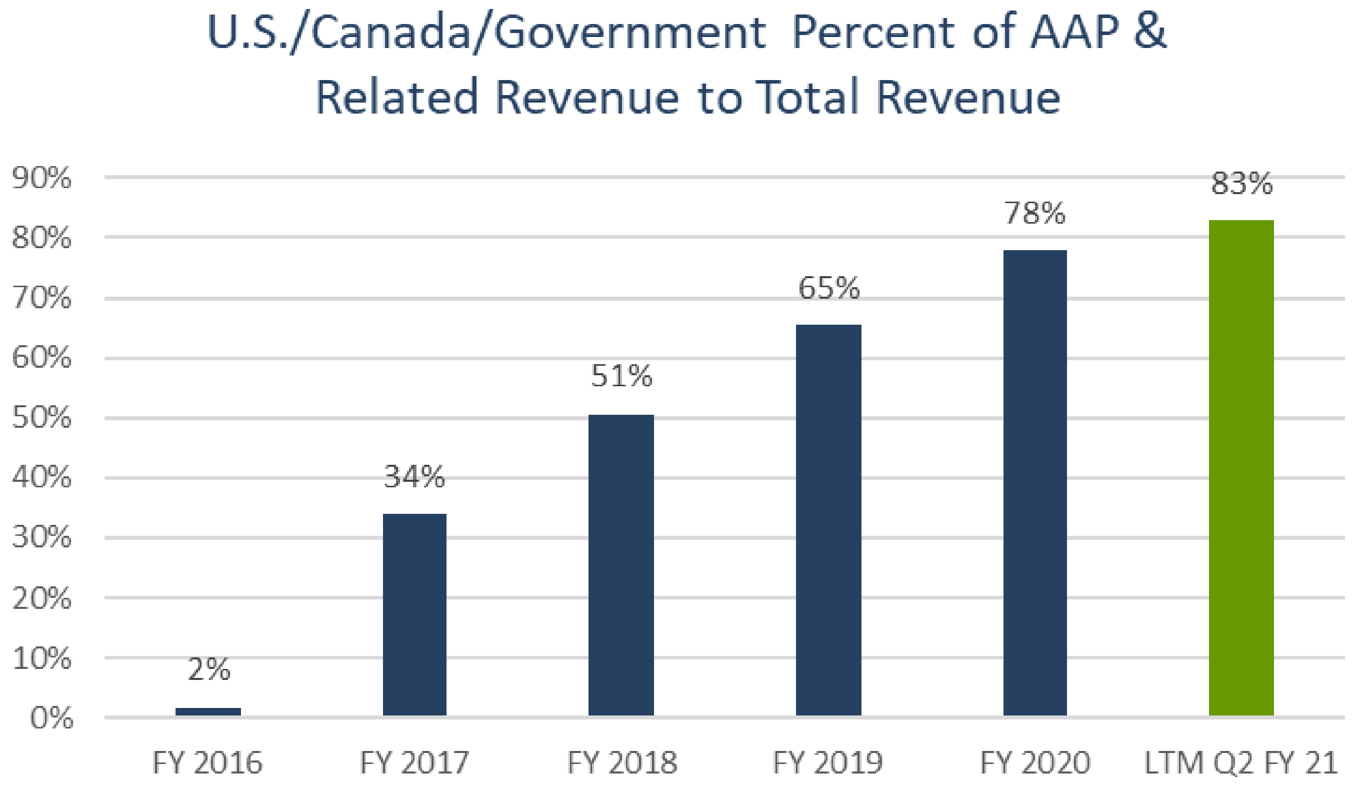
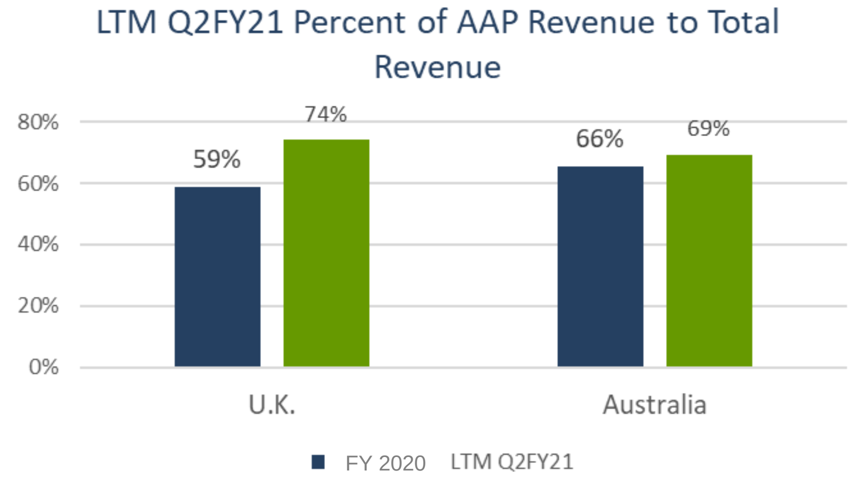
All Access Pass
(in millions and unaudited)

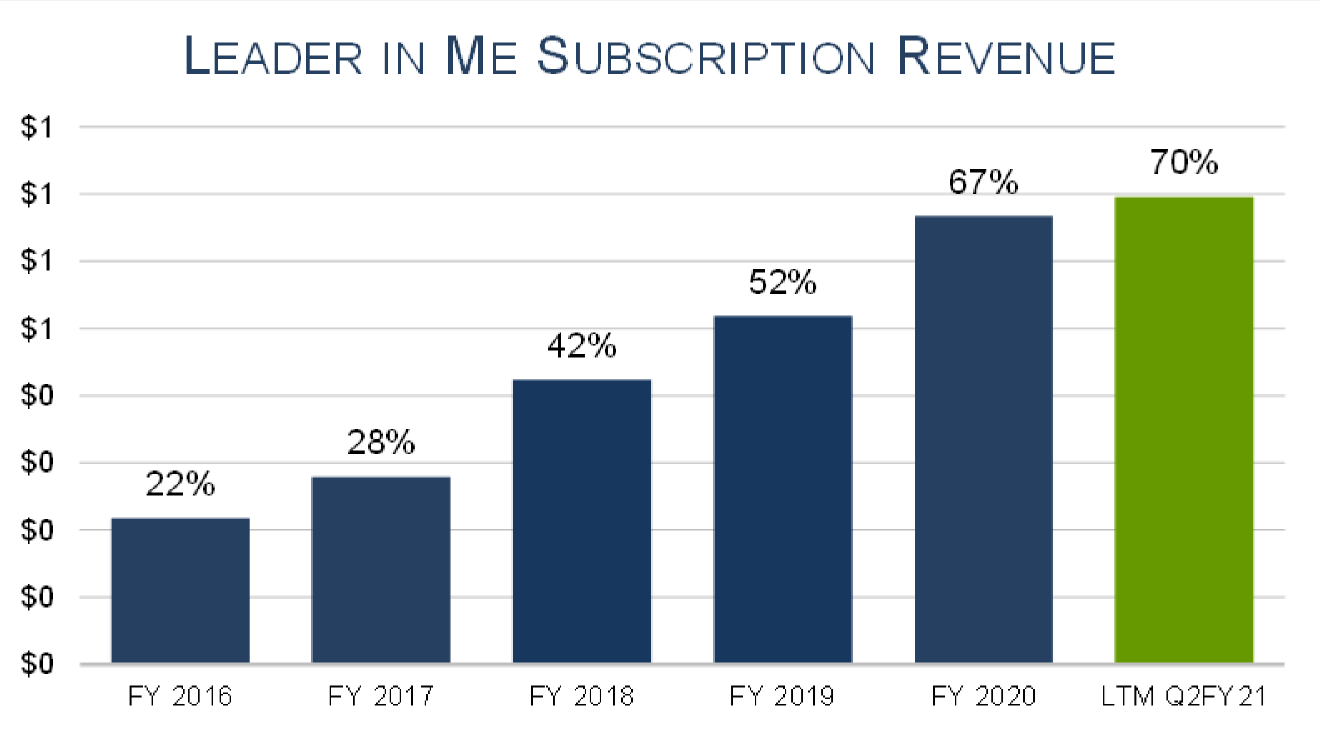


U.S./Canada/Government AAP Revenue
(in millions and unaudited)





Education Division



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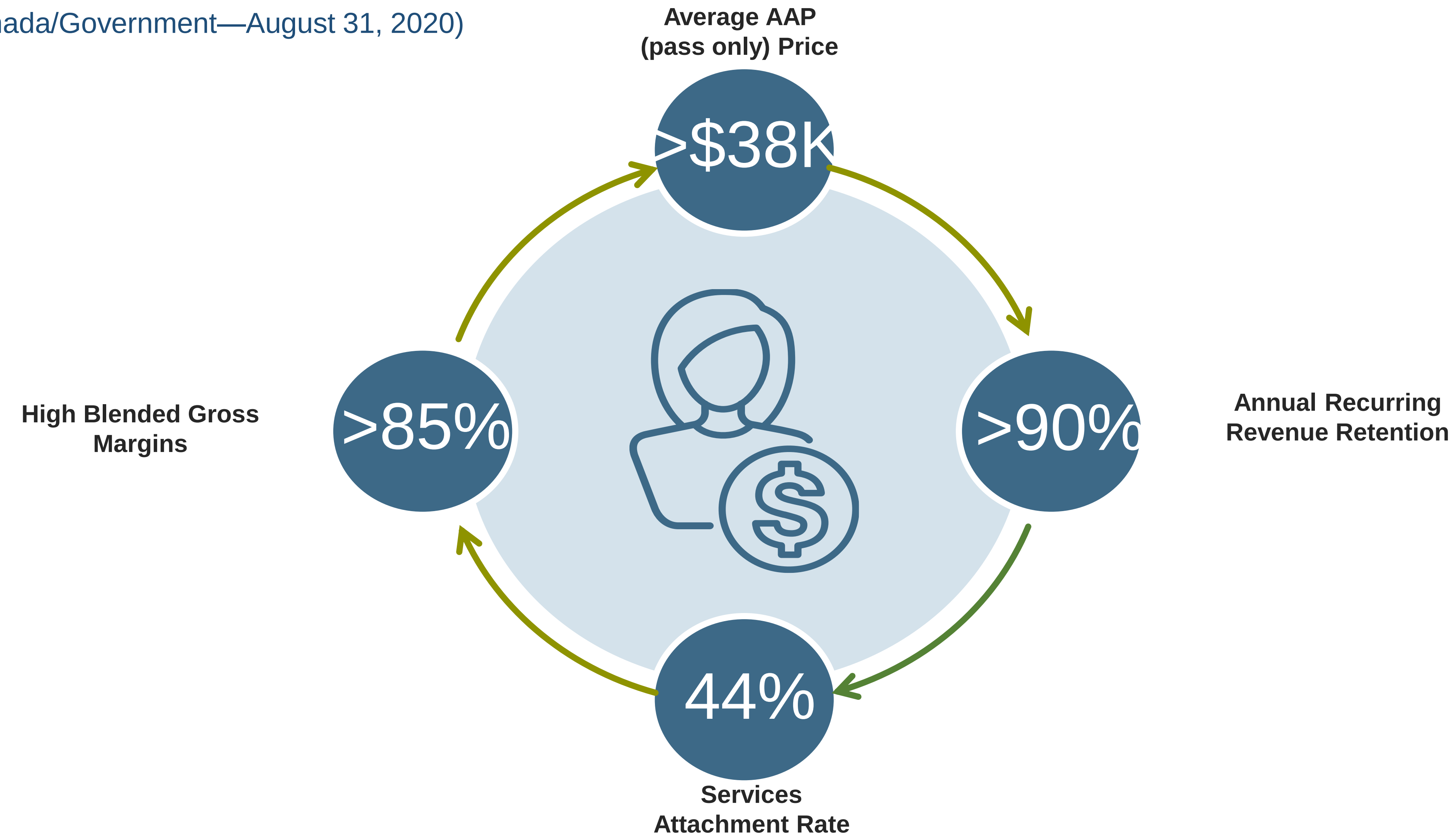
Lifetime Customer Value

(U.S./Canada/Government—August 31, 2020)

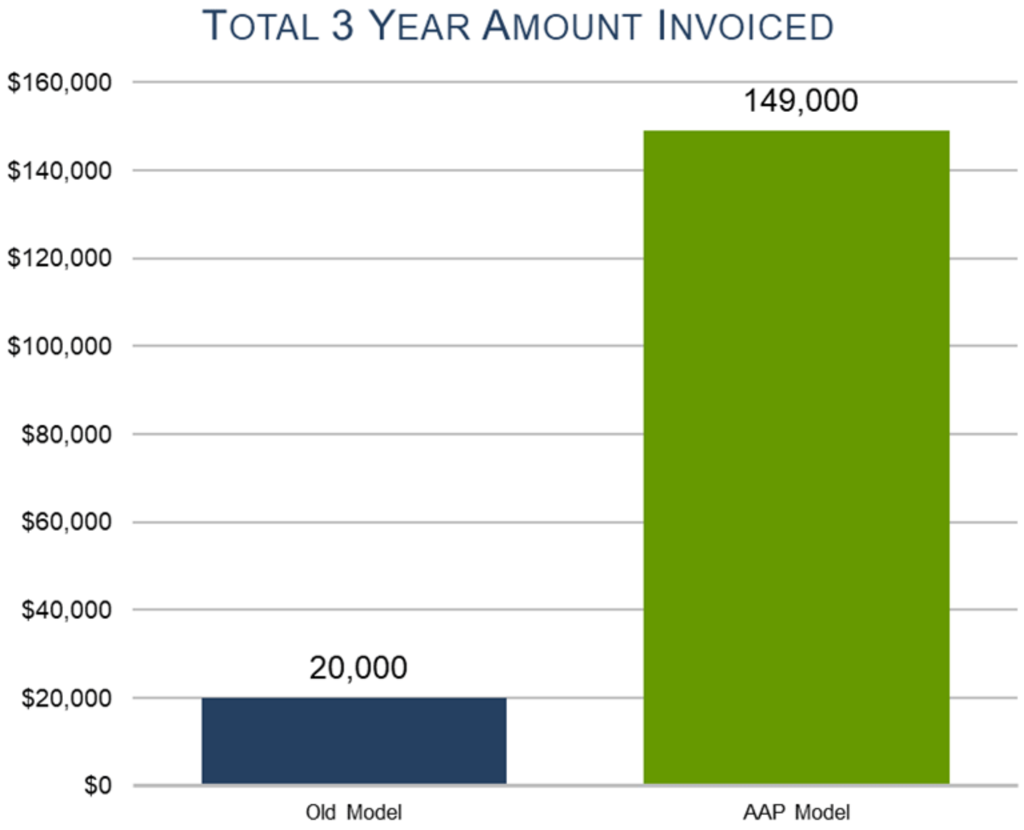


*Enterprise Division Gross Margin - Blend between Subscription & Services

Lifetime Customer Value

Legacy Model Client Example

- Client which spent $10K in their first year, spent an additional $10K over the next two years totaling a three year spend of $20K.
- Approximately 70% Gross Margin.



Typical AAP Client Example

- Client spends $55K on their initial purchase (pass + services) and spends $149K over three years.
- Greater than 85% Gross Margin.

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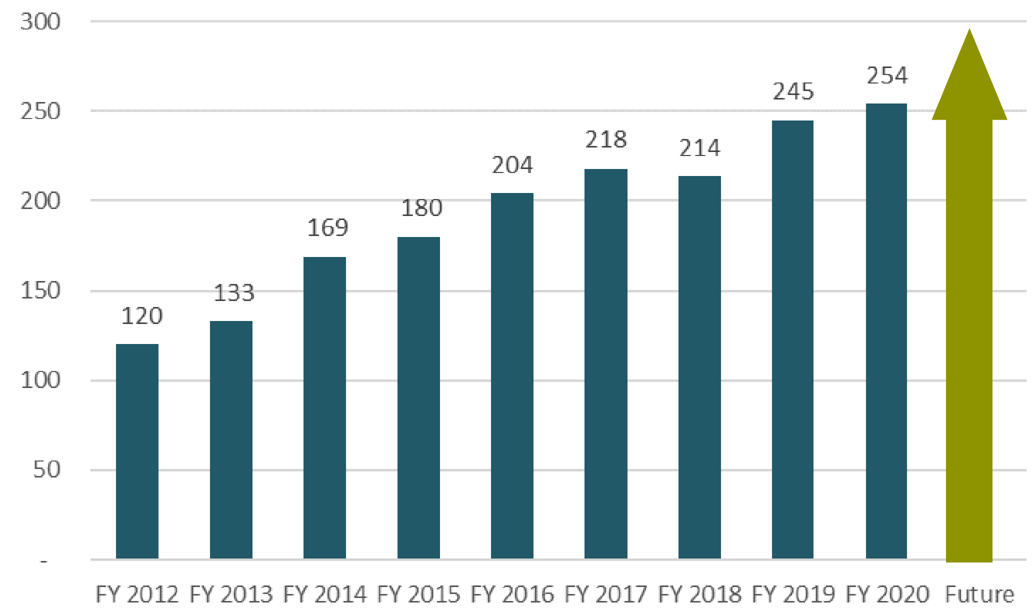
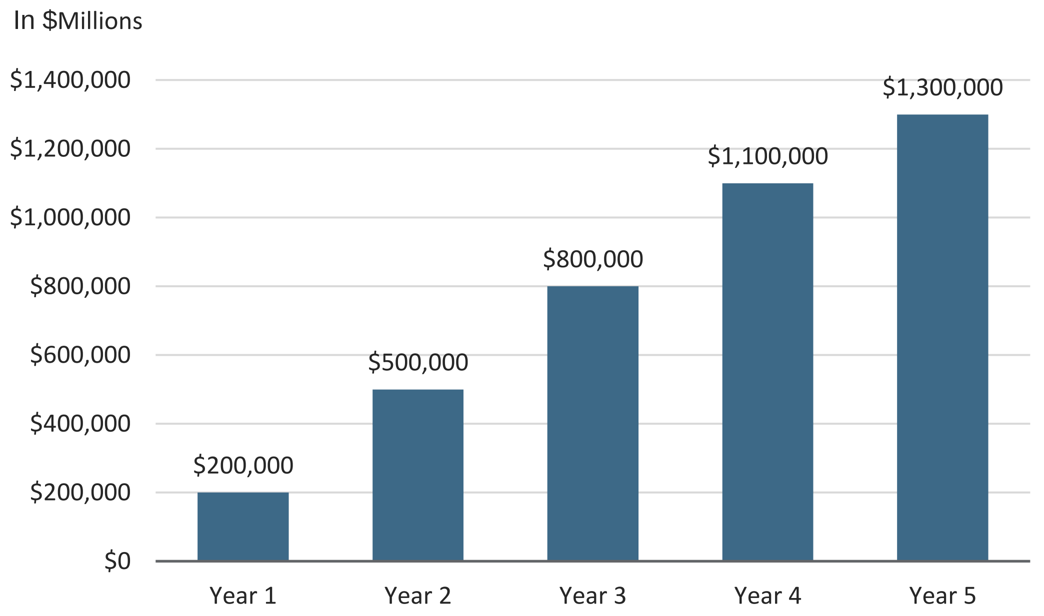
STRONG SALES FORCE & LICENSEE NETWORK ACCELERATE NEW LOGOS

Hire & Ramp

CLIENT PARTNER ADDITIONS



CLIENT PARTNER RAMP



We cover investment on a new client partner within: **1 Year**

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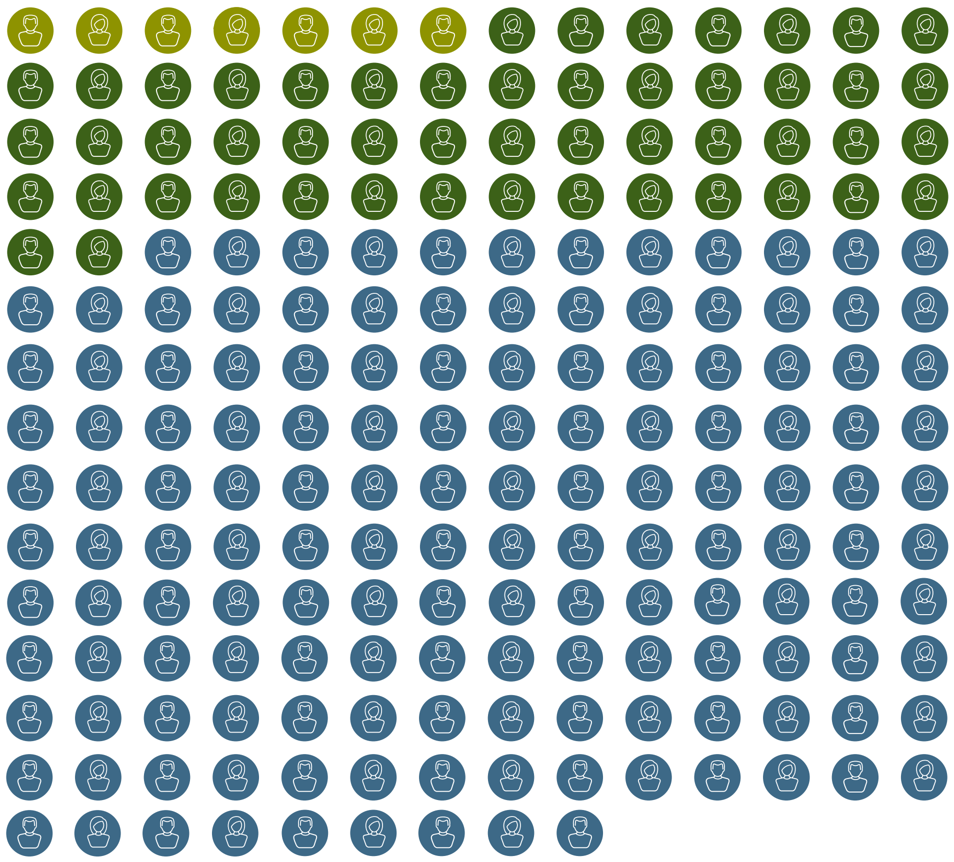
Market Opportunity for Expansion



1 icon = 1,000 Accounts/Schools

U.S/Canada/Gov

75,000
Companies in U.S./Can/Gov target market

21,000
Assigned accounts
(Current and Prospective Customers)

138
Current Client Partners

54,000
Unassigned accounts

345
Additional Client Partner Potential

Education

150,000
K-12 Schools in US and Canada

47,000
Assigned schools
(Current and Prospective Schools)

41
Current Client Partners

103,000
Unassigned accounts

90
Additional Client Partner Potential

Appendix

Other Information

OTHER INCOME STATEMENT INFORMATION:

- Depreciation: $6.7M in FY2020, expected to total approximately $6.5M in FY2021.
- Amortization: $4.6M in FY2020, expected to total approximately $4.5M in FY2021.
- Net Interest and Discount: $2.3M in FY2020, expected to total approximately $2.3M in FY2021.
- Share-based Compensation, Impaired Assets, Restructuring, Accrued Earnout and Other: expected to total approximately $8.0M in FY2021.
- Effective Tax Rate: Our normalized affective tax rate is expected to eventually be 26% to 30%, before unusual permanent book/tax differences and benefit of re-measuring deferred taxes. The actual tax rate could be a significantly different percentage, and we are not projecting an FY21 effective rate.

OTHER INFORMATION:

- Capital Expenditures: $4.2M in FY2020, expected to total approximately $2.5M to $3.0M in FY2021.
- Capitalized Curriculum excluding acquired content: $5.1M in FY2020, expected to total approximately $3.5M to $4.5M in FY2021, including localization of AAP content, AAP content development, and Education content development.
- Share Count: 14,146K shares outstanding as of March 31, 2021. 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: 251 on February 28, 2021.
- Impact of FX in FY21: increase of Sales $0.4M in Q2 and $0.7M YTD; decrease to Adjusted EBITDA $0.2M in the second quarter and $0.2M YTD.

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

Franklin Covey – Financial Summary

(in millions and unaudited)

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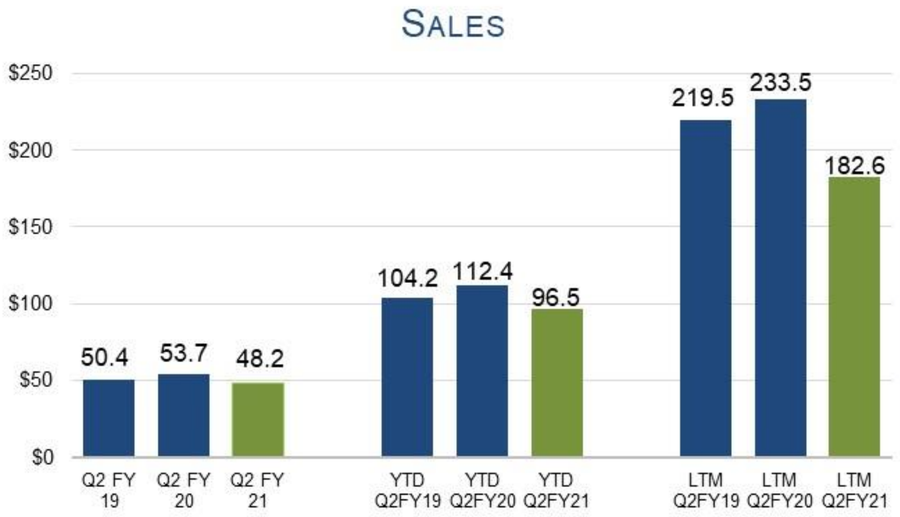
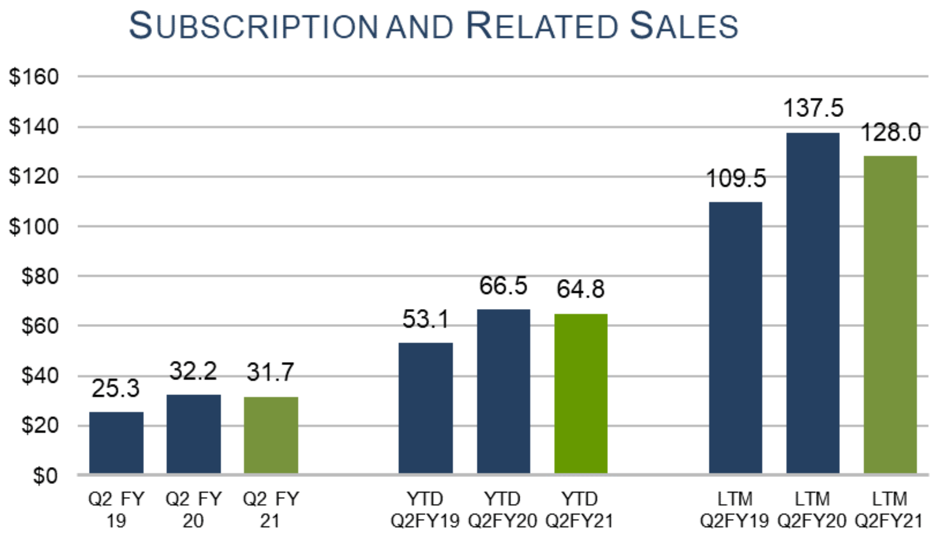
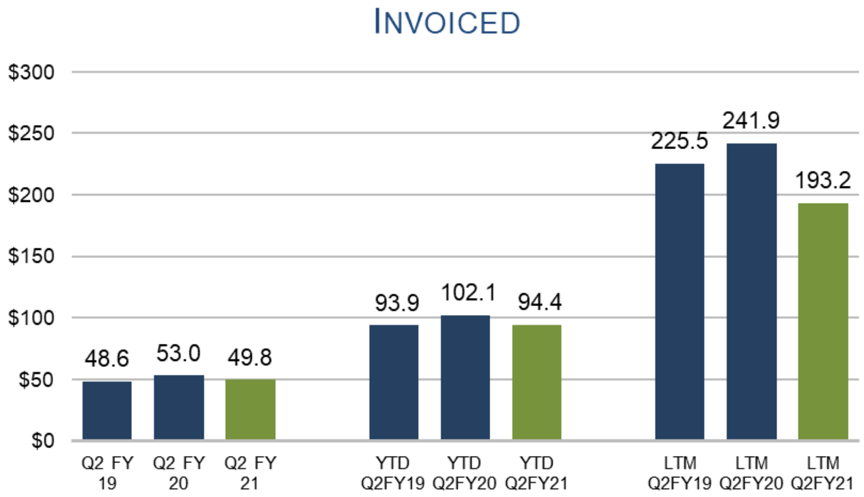
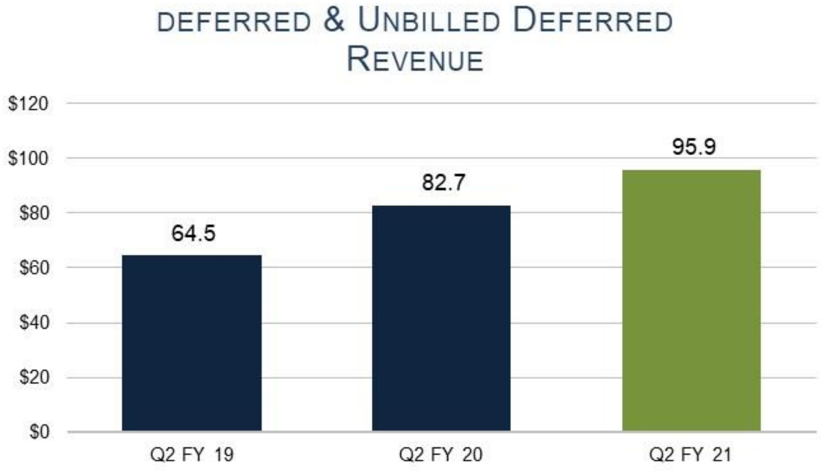
Franklin Covey: Strong Revenue Momentum

(in millions and unaudited)



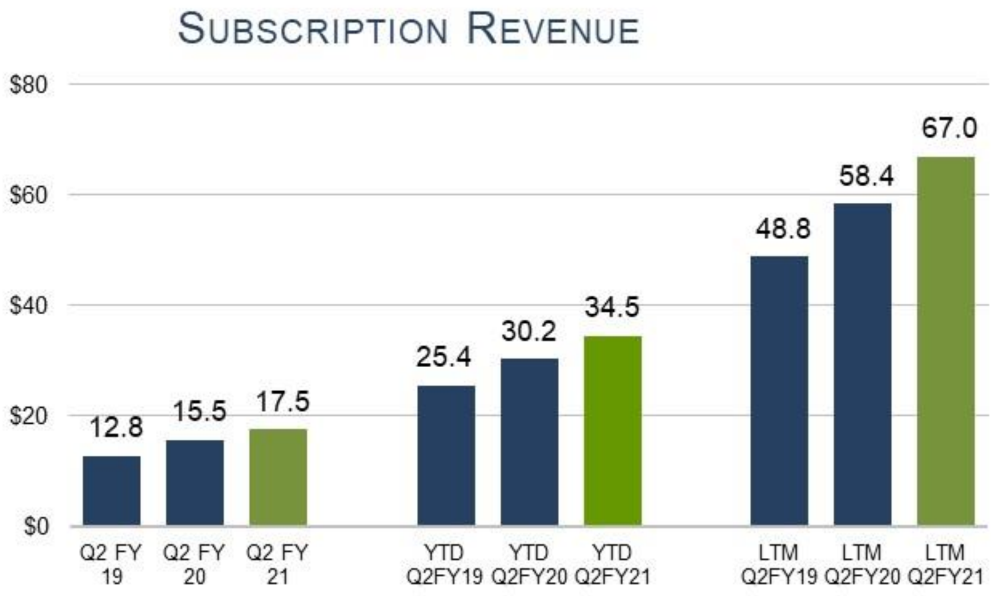


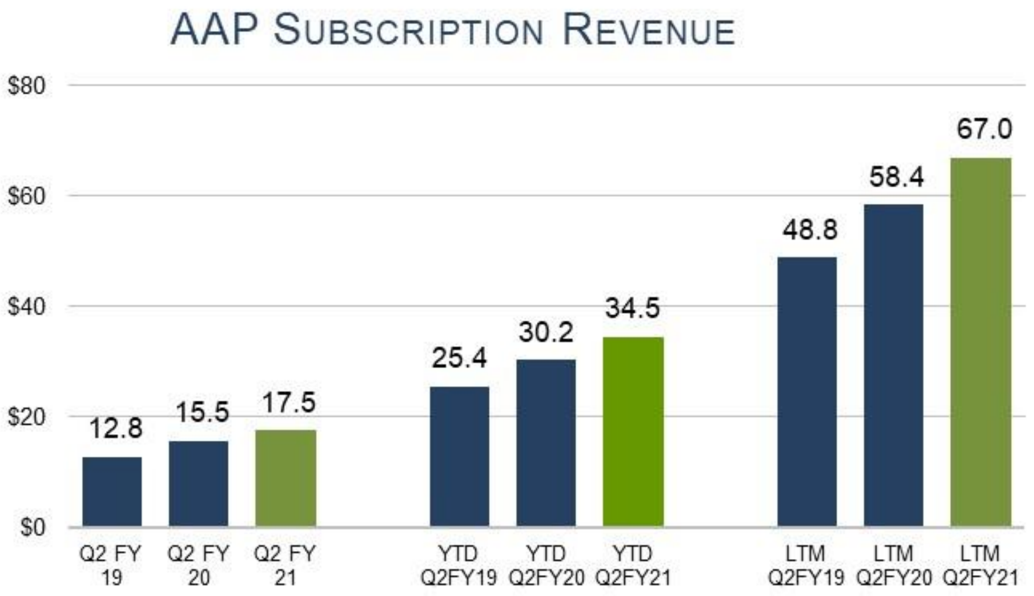


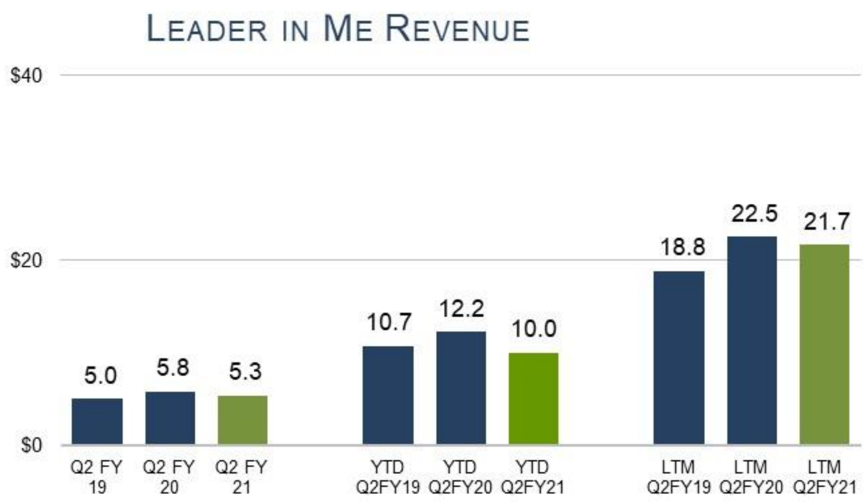


Trends in the Business

(in millions and unaudited)







AAP Growth Engine

(in millions and unaudited)

*In Q1FY21 the Company entered into a one year $2.2M contract with a Governmental Agency that is not expected to repeat in subsequent years.

Enterprise Division - Financial Summary

(in millions and unaudited)

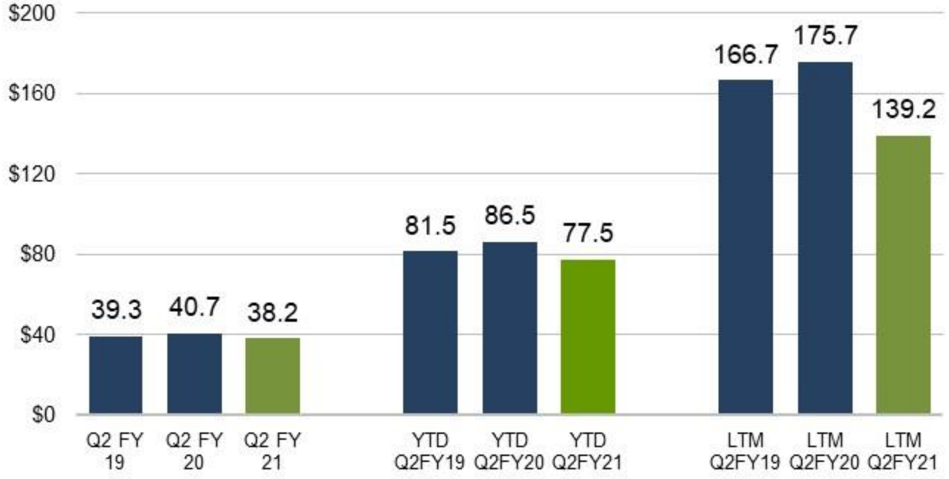
	Q2FY21	Q2FY20	Chg	%	YTD Q2FY21	YTD Q2FY20	Chg	%	LTM Q2FY21	LTM Q2FY20	Chg	%
Sales	**$ 38.2**	**$ 40.7**	**($2.5)**	**-6.1%**	**$ 77.5**	**$ 86.5**	**($9.0)**	**-10.4%**	**$ 139.2**	**$ 175.7**	**($36.4)**	**-20.7%**
Cost of Sales	7.0	9.7	(2.7)	-28.2%	14.6	21.0	(6.4)	-30.6%	27.0	42.7	(15.7)	-36.8%
Gross Profit	**31.2**	**30.9**	**0.2**	**0.8%**	**62.9**	**65.5**	**(2.6)**	**-3.9%**	**112.3**	**133.0**	**(20.7)**	**-15.6%**
Gross Profit %	81.7%	76.1%	562	bps	81.2%	75.7%	547	bps	80.6%	75.7%	491	bps
Operating SG&A	23.5	24.8	(1.3)	-5.1%	47.3	51.6	(4.3)	-8.4%	90.4	102.6	(12.2)	-11.9%
Operating SG&A %	61.7%	61.0%	(66)	bps	61.0%	59.7%	(134)	bps	64.9%	58.4%	(649)	bps
Adjusted EBITDA	**7.6**	**6.1**	**1.5**	**24.8%**	**15.6**	**13.9**	**1.8**	**12.7%**	**21.9**	**30.4**	**(8.5)**	**-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.

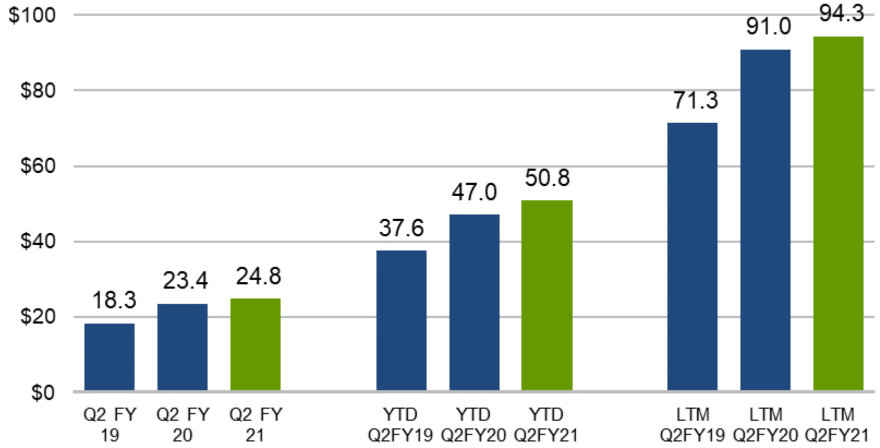
Enterprise Division - Strong Revenue Momentum

(in millions and unaudited)

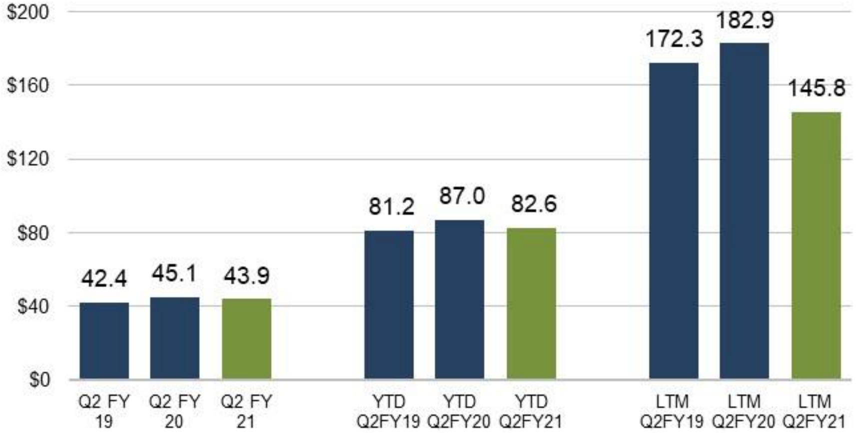
Sales



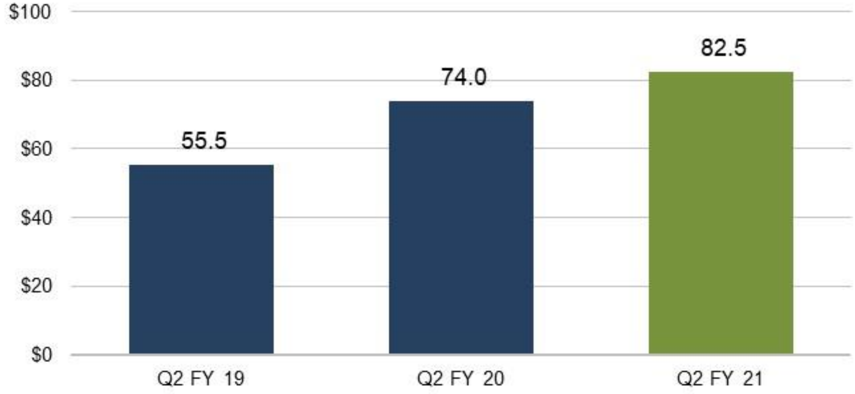
AAP Plus Add-on Sales



Invoiced



Deferred & Unbilled Deferred Revenue



Enterprise Division - AAP & Related Revenue

(in millions and unaudited)

	LTM 2021	Fiscal 2020	Fiscal 2019	Q2FY21	Q1FY 21	Q4 FY20	Q3 FY20	Q2 FY20
AAP Sales	$67.0	$62.7	$53.7	$17.5	$17.0	$16.0	$16.4	$15.5
AAP Add on Sales*	27.4	27.8	27.9	7.3	9.0	6.6	4.4	7.9
Total AAP and Related	**94.3**	**90.5**	**81.5**	**24.8**	**26.0**	**22.7**	**20.8**	**23.4**
Percent of AAP and Related Sales to Total Enterprise Sales	**68%**	**61%**	**48%**	**65%**	**66%**	**66%**	**76%**	**58%**
Legacy Sales	21.7	32.9	53.0	6.3	5.8	6.2	3.4	10.4
International licensees	7.1	8.5	12.9	2.4	2.6	1.3	0.7	2.7
Other Sales	16.2	16.4	23.2	4.6	5.0	4.0	2.5	4.1
Total Enterprise Sales	**$139.2**	**$148.2**	**$170.6**	**$38.2**	**$39.3**	**$34.3**	**$27.5**	**$40.7**

	LTM 2021	Fiscal 2020	Fiscal 2019	Q2FY21	Q1FY 21	Q4 FY20	Q3 FY20	Q2 FY20
North America Sales	$101.6	$103.3	$108.4	$27.0	$27.4	$25.7	$21.6	$27.1
International Direct Office Sales	23.4	28.3	39.1	7.0	7.3	5.7	3.4	8.2
Other Sales	7.2	8.1	10.2	1.8	2.0	1.6	1.8	2.6
Total Direct Office Division Sales	132.2	139.8	157.8	35.7	36.7	32.9	26.8	38.0
International Licensees	7.1	8.5	12.9	2.4	2.6	1.3	0.7	2.7
Total Enterprise Sales	**$139.2**	**$148.2**	**$170.6**	**$38.2**	**$39.3**	**$34.3**	**$27.5**	**$40.7**

Other Sales includes China (where AAP is not being offered), book royalties and other miscellaneous revenue items.
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)

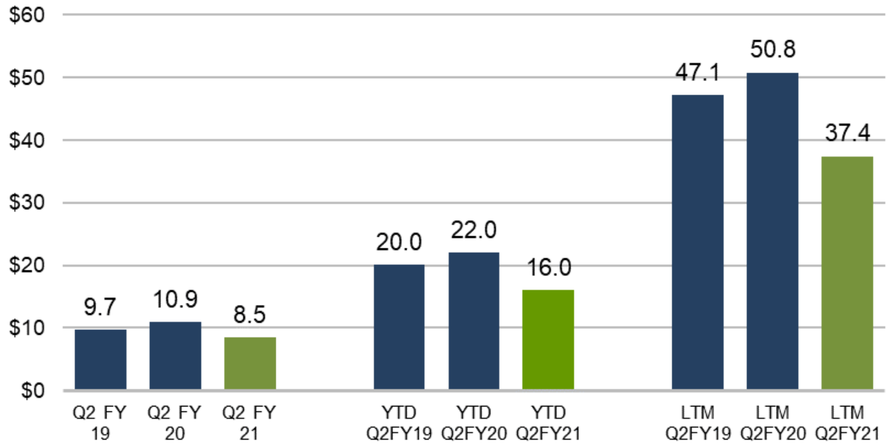
	Q2FY21	Q2FY20	Chg	%	YTD Q2FY21	YTD Q2FY20	Chg	%	LTM Q2FY21	LTM Q2FY20	Chg	%
Sales	**$ 8.5**	**$ 10.9**	**($2.4)**	**-22.2%**	**$ 16.0**	**$ 22.0**	**($6.0)**	**-27.3%**	**$ 37.4**	**$ 50.8**	**($13.4)**	**-26.4%**
Cost of Sales	3.1	4.4	(1.3)	-29.3%	6.6	8.9	(2.2)	-25.0%	14.1	19.1	(5.0)	-26.4%
Gross Profit	**5.3**	**6.5**	**(1.1)**	**-17.3%**	**9.3**	**13.1**	**(3.8)**	**-28.9%**	**23.3**	**31.7**	**(8.4)**	**-26.4%**
Gross Profit %	63.0%	59.3%	373	bps	58.4%	59.7%	(129)	bps	62.3%	62.3%	(0)	bps
Operating SG&A	6.2	7.5	(1.3)	-17.6%	12.5	15.3	(2.8)	-18.4%	24.4	29.1	(4.7)	-16.3%
Operating SG&A %	73.2%	69.1%	(404)	bps	78.1%	69.6%	(850)	bps	65.2%	57.3%	(786)	bps
Adjusted EBITDA	**(0.9)**	**(1.1)**	**0.2**	**-19.7%**	**(3.1)**	**(2.2)**	**(1.0)**	**44.7%**	**(1.1)**	**2.6**	**(3.6)**	**-141.5%**

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.

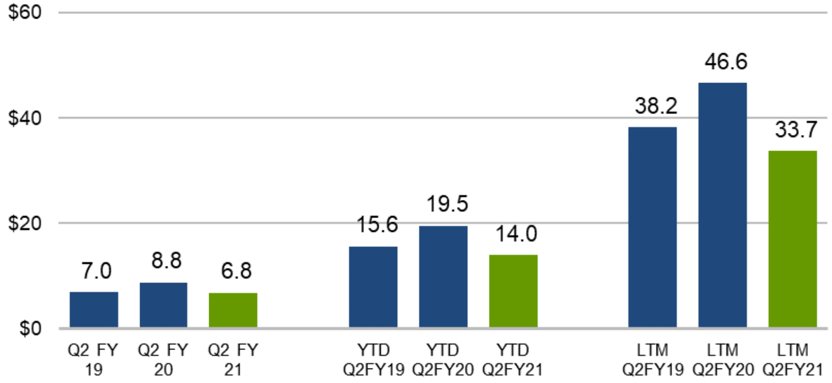
Education Division - Revenue Momentum

(in millions and unaudited)

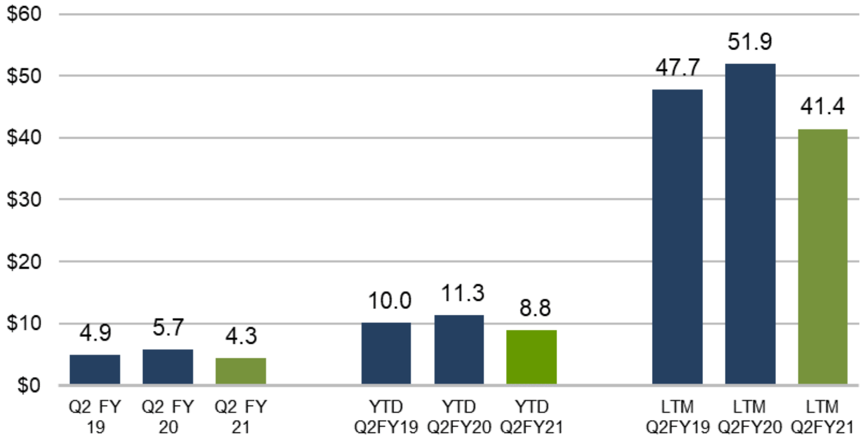
Sales



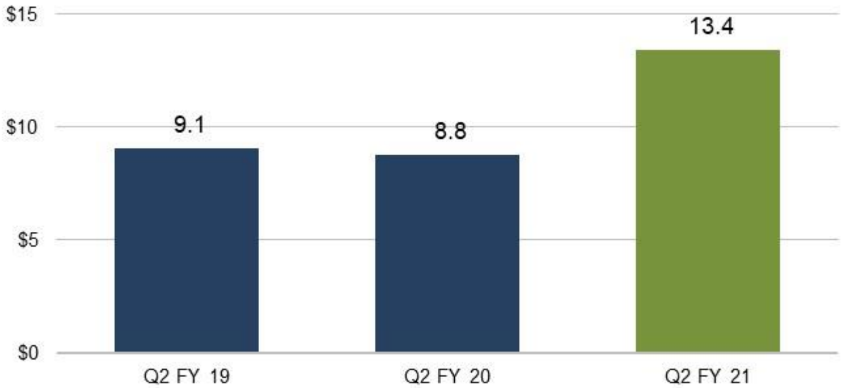
Education (LIM) Subscription Plus Add-on Sales



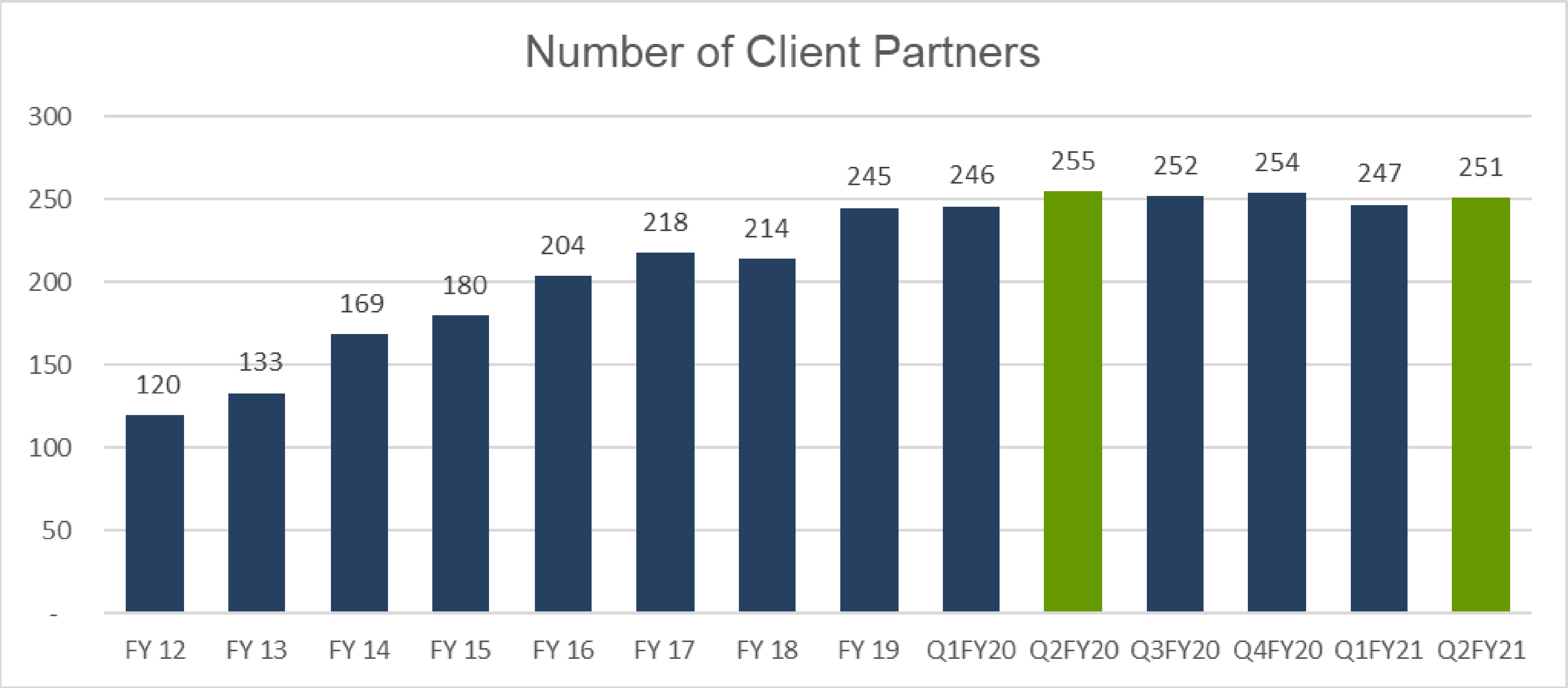
Invoiced



Deferred & Unbilled Deferred Revenue



Client Partners



Sales Information

(in millions and unaudited)

		FY2019					FY2020					FY 2021		
	FY2018	Q1	Q2	Q3	Q4	FY2019	Q1	Q2	Q3	Q4	FY2020	Q1	Q2	YTD FY 2021
Sales														
Reported Net Sales	209.8	53.8	50.4	56.0	65.2	225.4	58.6	53.7	37.1	49.0	198.5	48.3	48.2	96.5
Change in Deferred Revenue	11.4	(8.5)	(1.8)	0.3	18.3	8.3	(9.5)	(0.7)	(4.1)	16.7	2.4	(3.6)	1.6	(2.0)
Invoiced Amount	221.2	45.3	48.6	56.4	83.4	233.7	49.1	53.0	33.1	65.7	200.8	44.7	49.8	94.4
Balance Sheet														
Roll-Forward of Deferred Subscription Revenue														
Beginning Balance (deferred revenue)	36.4	48.4	41.4	39.6	39.9	48.4	58.2	48.7	48.0	43.9	58.2	60.6	57.0	60.6
Subscription Invoiced	69.7	9.8	15.9	19.3	37.8	82.8	11.6	20.6	18.2	38.5	88.9	18.0	24.4	42.5
Amounts Recorded to Revenue	(58.3)	(18.3)	(17.7)	(18.9)	(19.6)	(74.5)	(21.1)	(21.3)	(22.3)	(21.8)	(86.5)	(21.7)	(22.9)	(44.6)
Change in Deferred Revenue	11.4	(8.5)	(1.8)	0.3	18.3	8.3	(9.5)	(0.7)	(4.1)	16.7	2.4	(3.6)	1.6	(2.1)
FX, 606, and Other Changes	0.6	1.5	-	-	-	1.5	-	-	-	-	-	-	-	-
Ending Balance (Def Subscription Revenue)	48.4	41.4	39.6	39.9	58.2	58.2	48.7	48.0	43.9	60.6	60.6	57.0	58.5	58.5
Unbilled Deferred Contracts														
Beginning Balance (off balance sheet)	17.2	24.5	24.4	25.0	23.7	24.5	29.9	34.0	34.8	33.4	29.9	39.6	40.5	39.6
New Unbilled Contracts	20.2	1.4	4.6	3.5	12.8	22.3	7.0	8.5	4.7	13.2	33.5	5.8	5.3	11.1
Amounts Invoiced	(12.9)	(1.5)	(4.0)	(4.7)	(6.6)	(16.9)	(3.0)	(7.7)	(6.1)	(7.1)	(23.9)	(5.0)	(8.3)	(13.3)
Ending Balance (off balance sheet)	24.5	24.4	25.0	23.7	29.9	29.9	34.0	34.8	33.4	39.6	39.6	40.5	37.4	37.4
Breakout of Deferred Sales (above)														
Subscription Sales (Invoiced Amounts)														
All Access Pass Subscriptions	48.8	8.3	15.1	13.7	21.2	58.3	10.3	19.4	11.8	22.1	63.6	15.9	22.5	38.4
Education Subscription Contracts	19.2	0.8	0.4	5.2	15.4	21.9	1.2	0.7	6.1	16.2	24.2	1.7	1.4	3.1
Other	1.7	0.7	0.5	0.3	1.2	2.7	0.2	0.5	0.3	0.2	1.2	0.4	0.6	1.0
Total Additions to balance sheet	69.7	9.8	15.9	19.3	37.8	82.8	11.6	20.6	18.2	38.5	88.9	18.0	24.4	42.5

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.

FranklinCovey – Contracts Signed
(in thousands and unaudited)

Second Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY21	FY20	Change	%	FY21	FY20	Change	%	FY21	FY20	Change	FY21	FY20	Change	%
Sales	38.2	40.7	(2.5)	-6.1%	8.5	10.9	(2.4)	-22.2%	1.5	2.2	(0.7)	48.2	53.7	(5.6)	-10.4%
Change in Deferred Subscription Revenue	5.7	4.5	1.3	28.4%	(4.1)	(5.2)	1.0	-20.2%	(0.0)	(0.0)	(0.0)	1.6	(0.7)	2.3	-321.1%
Invoiced Amounts	43.9	45.1	(1.2)	-2.7%	4.3	5.7	(1.4)	-24.0%	1.5	2.2	(0.7)	49.8	53.0	(3.3)	-6.1%
Change in Unbilled Deferred Revenue	(3.1)	1.2	(4.2)		0.0	(0.3)	0.4		(0.0)	(0.0)	0.0	(3.0)	0.8	(3.8)	
Total Contracts Signed	40.9	46.3	(5.4)	-11.7%	4.4	5.4	(1.0)	-18.8%	1.5	2.2	(0.7)	46.7	53.8	(7.1)	-13.2%

LTM Second Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY21	FY20	Change	%	FY21	FY20	Change	%	FY21	FY20	Change	FY21	FY20	Change	%
Sales	139.2	175.7	(36.4)	-20.7%	37.4	50.8	(13.4)	-26.4%	5.9	7.0	(1.1)	182.6	233.5	(50.9)	-21.8%
Change in Deferred Subscription Revenue	6.6	7.3	(0.7)	-9.1%	4.0	1.1	2.9	257.8%	(0.0)	0.0	(0.0)	10.6	8.4	2.2	26.2%
Invoiced Amounts	145.8	182.9	(37.1)	-20.3%	41.4	51.9	(10.5)	-20.3%	5.9	7.0	(1.1)	193.2	241.9	(48.7)	-20.2%
Change in Unbilled Deferred Revenue	1.7	11.2	(9.5)		0.9	(1.4)	2.3		0.0	-	0.0	2.6	9.8	(7.2)	
Total Contracts Signed	147.5	194.2	(46.6)	-24.0%	42.3	50.5	(8.2)	-16.3%	5.9	7.0	(1.1)	195.8	251.8	(56.0)	-22.2%

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 Loss to Adjusted EBITDA
(in thousands and unaudited)

	Quarter Ended		Two Quarters Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Reconciliation of net income (loss) to Adjusted EBITDA:				
Net income (loss)	$ (46)	$ 1,097	$ (938)	$ 553
Adjustments:				
Interest expense, net	524	544	1,068	1,144
Income tax provision (benefit)	366	(2,019)	544	(2,235)
Amortization	1,133	1,170	2,265	2,340
Depreciation	1,740	1,653	3,481	3,273
Stock-based compensation	1,599	1,793	2,757	3,644
Increase (decrease) in the fair value of contingent consideration liabilities	(16)	(182)	46	(91)
Government COVID assistance	(27)	-	(234)	-
Gain from insurance settlement	(150)	-	(150)	-
Knowledge Capital wind-down costs	-	-	-	389
Licensee transition costs	-	-	-	-
Adjusted EBITDA	$ 5,123	$ 4,056	$ 8,839	$ 9,017
Adjusted EBITDA margin	10.6%	7.5%	9.2%	8.0%

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		Two Quarters Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Sales by Division/Segment:				
Enterprise Division:				
Direct offices	$ 35,738	$ 37,973	$ 72,481	$ 80,085
International licensees	2,429	2,691	5,026	6,411
	38,167	40,664	77,507	86,496
Education Division	8,478	10,893	15,975	21,974
Corporate and other	1,517	2,188	3,004	3,887
Consolidated	$ 48,162	$ 53,745	$ 96,486	$ 112,357
Gross Profit by Division/Segment:				
Enterprise Division:				
Direct offices	$ 29,084	$ 28,702	$ 58,523	$ 60,113
International licensees	2,100	2,237	4,385	5,357
	31,184	30,939	62,908	65,470
Education Division	5,344	6,460	9,331	13,117
Corporate and other	812	1,267	1,487	2,108
Consolidated	$ 37,340	$ 38,666	$ 73,726	$ 80,695
Adjusted EBITDA by Division/Segment:				
Enterprise Division:				
Direct offices	$ 6,131	$ 4,734	$ 12,827	$ 10,444
International licensees	1,505	1,384	2,795	3,419
	7,636	6,118	15,622	13,863
Education Division	(858)	(1,068)	(3,142)	(2,171)
Corporate and other	(1,655)	(994)	(3,641)	(2,675)
Consolidated	$ 5,123	$ 4,056	$ 8,839	$ 9,017

Condensed Consolidated Balance Sheets

(in thousands and unaudited)

	February 28, 2021	August 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 40,343	$ 27,137
Accounts receivable, less allowance for doubtful accounts of $3,662 and $4,159	41,482	56,407
Inventories	2,641	2,974
Prepaid expenses and other current assets	15,799	15,146
Total current assets	100,265	101,664
Property and equipment, net	13,159	15,723
Intangible assets, net	44,864	47,125
Goodwill	24,220	24,220
Deferred income tax assets	843	1,094
Other long-term assets	15,378	15,611
	$ 198,729	$ 205,437

	February 28, 2021	August 31, 2020
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of term notes payable	$ 5,000	$ 5,000
Current portion of financing obligation	2,741	2,600
Accounts payable	5,060	5,622
Deferred subscription revenue	57,344	59,289
Other deferred revenue	8,126	7,389
Accrued liabilities	22,837	22,628
Total current liabilities	101,108	102,528
Term notes payable, less current portion	12,500	15,000
Financing obligation, less current portion	12,638	14,048
Other liabilities	8,631	9,110
Deferred income tax liabilities	4,812	5,298
Total liabilities	139,689	145,984
Shareholders' equity:		
Common stock	1,353	1,353
Additional paid-in capital	208,816	211,920
Retained earnings	49,030	49,968
Accumulated other comprehensive income	915	641
Treasury stock at cost, 12,915 and 13,175 shares	(201,074)	(204,429)
Total shareholders' equity	59,040	59,453
	$ 198,729	$ 205,437

Condensed Consolidated Statements of Operations

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

	Quarter Ended		Two Quarters Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Net sales	$ 48,162	$ 53,745	$ 96,486	$ 112,357
Cost of sales	10,822	15,079	22,760	31,662
Gross profit	37,340	38,666	73,726	80,695
Selling, general, and administrative	33,623	36,221	67,306	75,620
Depreciation	1,740	1,653	3,481	3,273
Amortization	1,133	1,170	2,265	2,340
Income (loss) from operations	**844**	**(378)**	**674**	**(538)**
Interest expense, net	(524)	(544)	(1,068)	(1,144)
Income (loss) before income taxes	**320**	**(922)**	**(394)**	**(1,682)**
Income tax benefit (provision)	(366)	2,019	(544)	2,235
Net income (loss)	**$ (46)**	**$ 1,097**	**$ (938)**	**$ 553**
Net income (loss) per common share:				
Basic and diluted	$ (0.00)	$ 0.08	$ (0.07)	$ 0.04
Weighted average common shares:				
Basic	14,082	13,841	14,029	13,911
Diluted	14,082	13,990	14,029	14,118
Other data:				
Adjusted EBITDA[1]	$ 5,123	$ 4,056	$ 8,839	$ 9,017

(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.

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 training which can be invoiced to the client in one lump sum. In this circumstance, the entire lump sum is included in Deferred Revenue. 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.

- “Add-on 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 to a client which has not entered into a subscription arrangement

Definitions

- “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.

- “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.

- 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).