

# Greatness Starts Here



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



**FranklinCovey™**



# Investor Update

Second Quarter  
Fiscal Year 2023



Janita Anderson  
Strategic Partnerships,  
Education Division

# 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](http://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.

# Five Elements



1. Challenges We Address are Resilient
2. Client Commitment and Loyalty
3. Diversity of Client Base Gives Strong Foundation
4. Compelling Subscription Business Model
5. Liquidity Provides Opportunities for Growth

# Five Elements



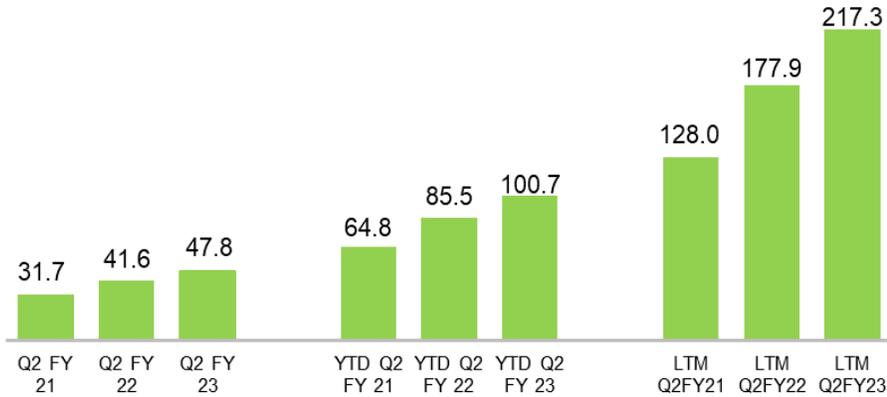
1. Challenges We Address are Resilient
- 2. Client Commitment and Loyalty**
3. Diversity of Client Base Gives Strong Foundation
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# Client Commitment & Loyalty – Subscription Revenue

(in millions and unaudited)



### SUBSCRIPTION & SUBSCRIPTION SERVICES



### AAP SUBSCRIPTION & SUBSCRIPTION SERVICES



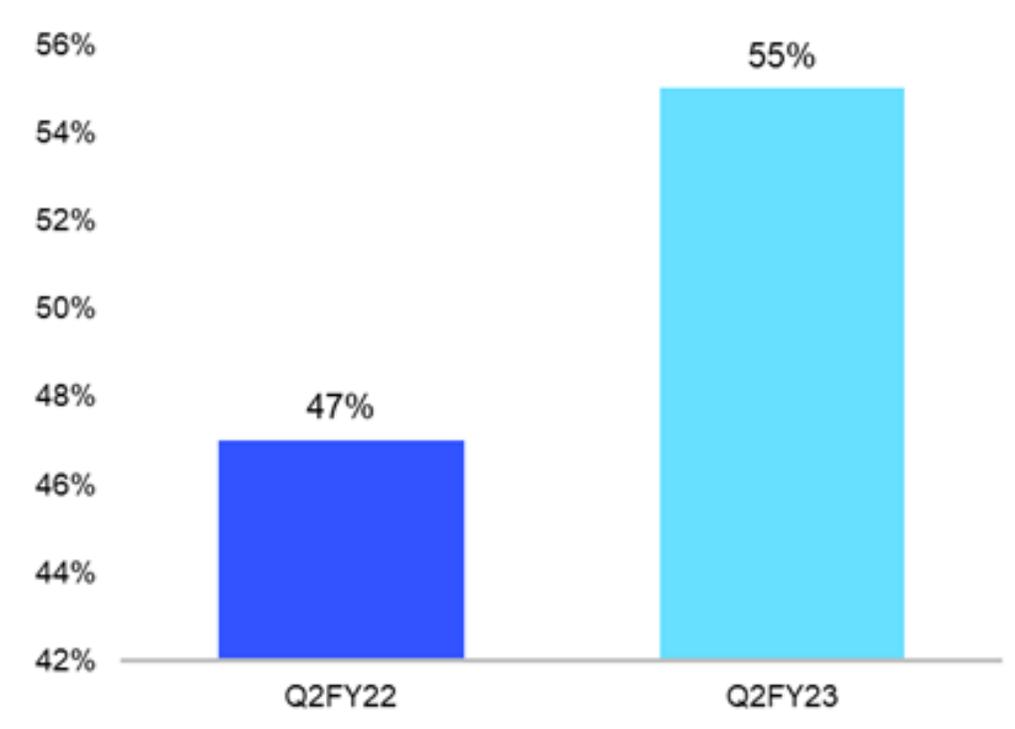
### EDUCATION SUBSCRIPTION & SUBSCRIPTION SERVICES



# Client Commitment & Loyalty— Multiyear Contracts



PERCENT OF AAP INVOICED AMOUNTS FROM MULTI-YEAR CONTRACTS NORTH AMERICA



Note: In Q2FY23 the Company modified its methodology for calculating this ratio. The prior period has been restated to be consistent with this change.

# Client Commitment & Loyalty— Education Division

Second Quarter



**+30%**

Education Division Invoiced

+29% YTD +19% LTM

**+18%**

Balance of Deferred Education  
Revenue

# Client Commitment & Loyalty – International Licensees

Second Quarter



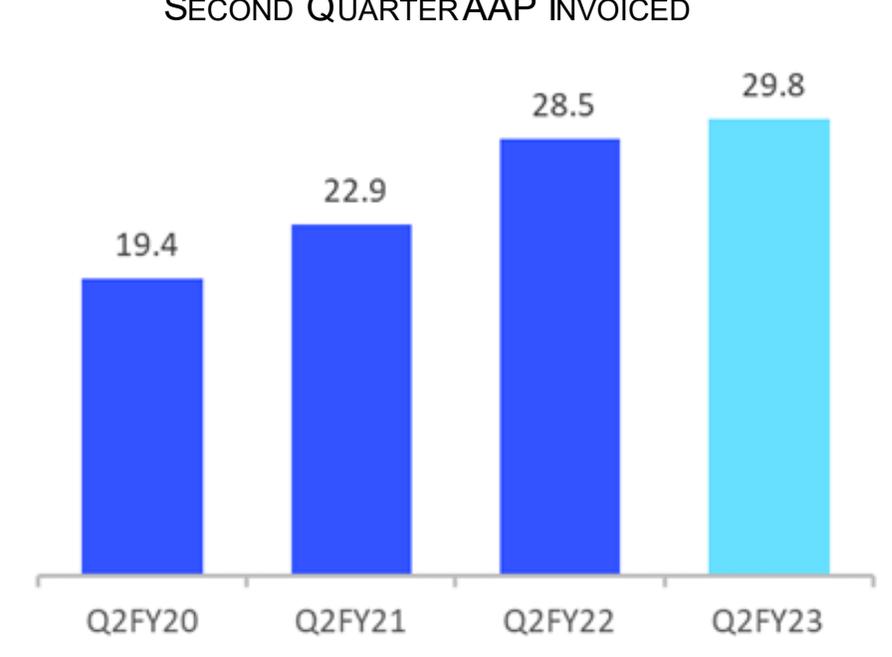
**+13%**

International Licensee Invoiced  
Revenue

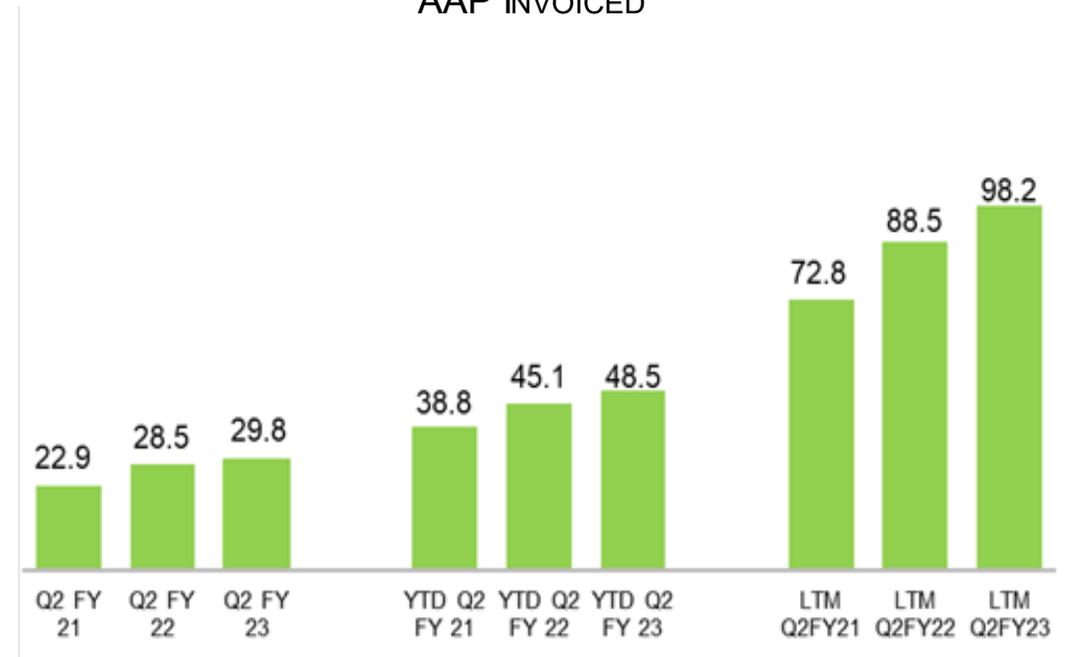
# Client Commitment & Loyalty – Enterprise Division



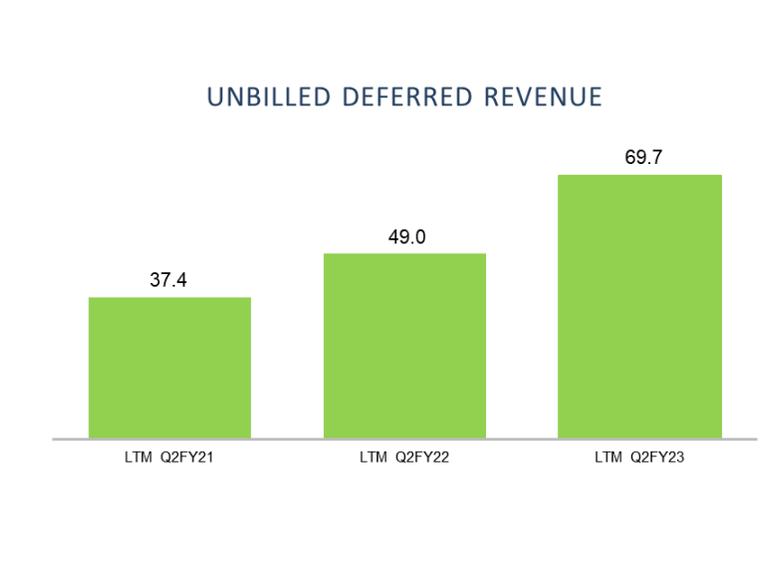
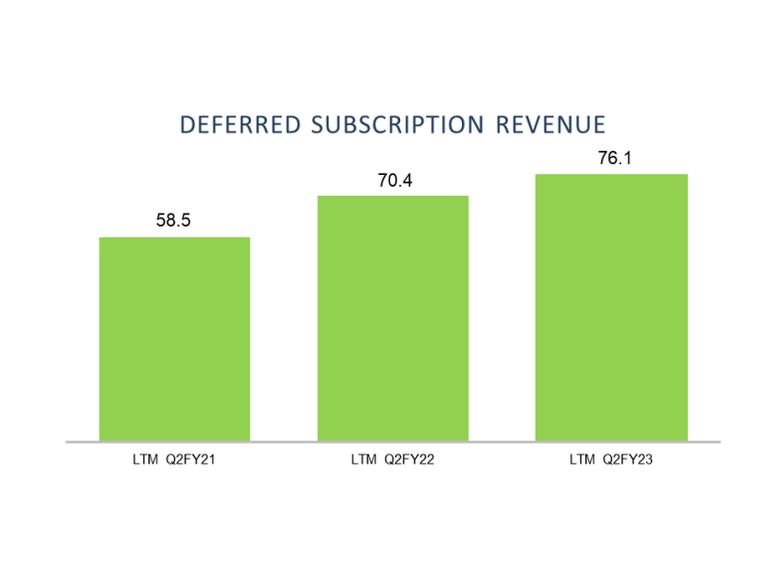
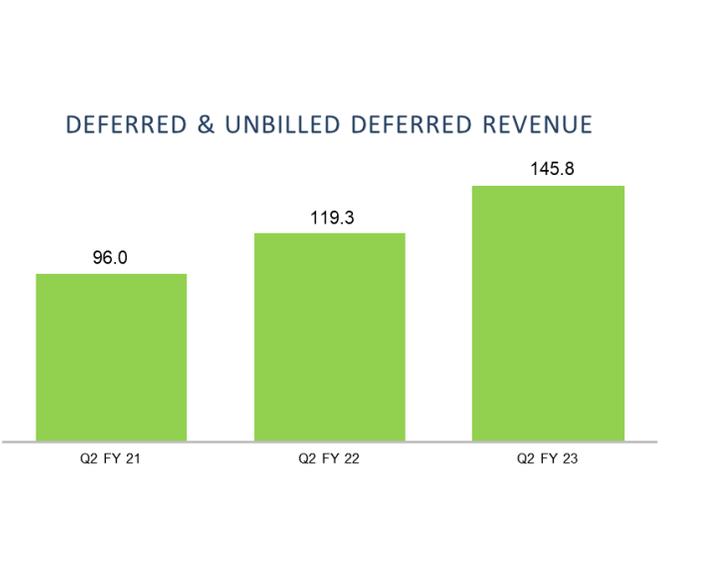
SECOND QUARTER AAP INVOICED



AAP INVOICED



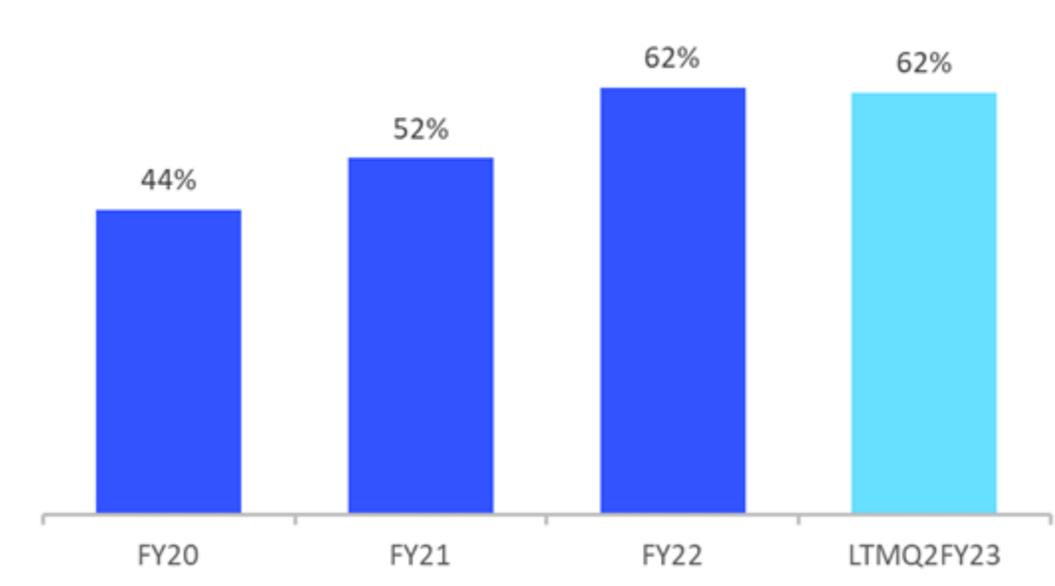
# Client Commitment & Loyalty – Total Company



# Client Commitment & Loyalty – AAP Subscription Services



PERCENT OF AAP SERVICE SALES TO ENTERPRISE  
SUBSCRIPTION SALES

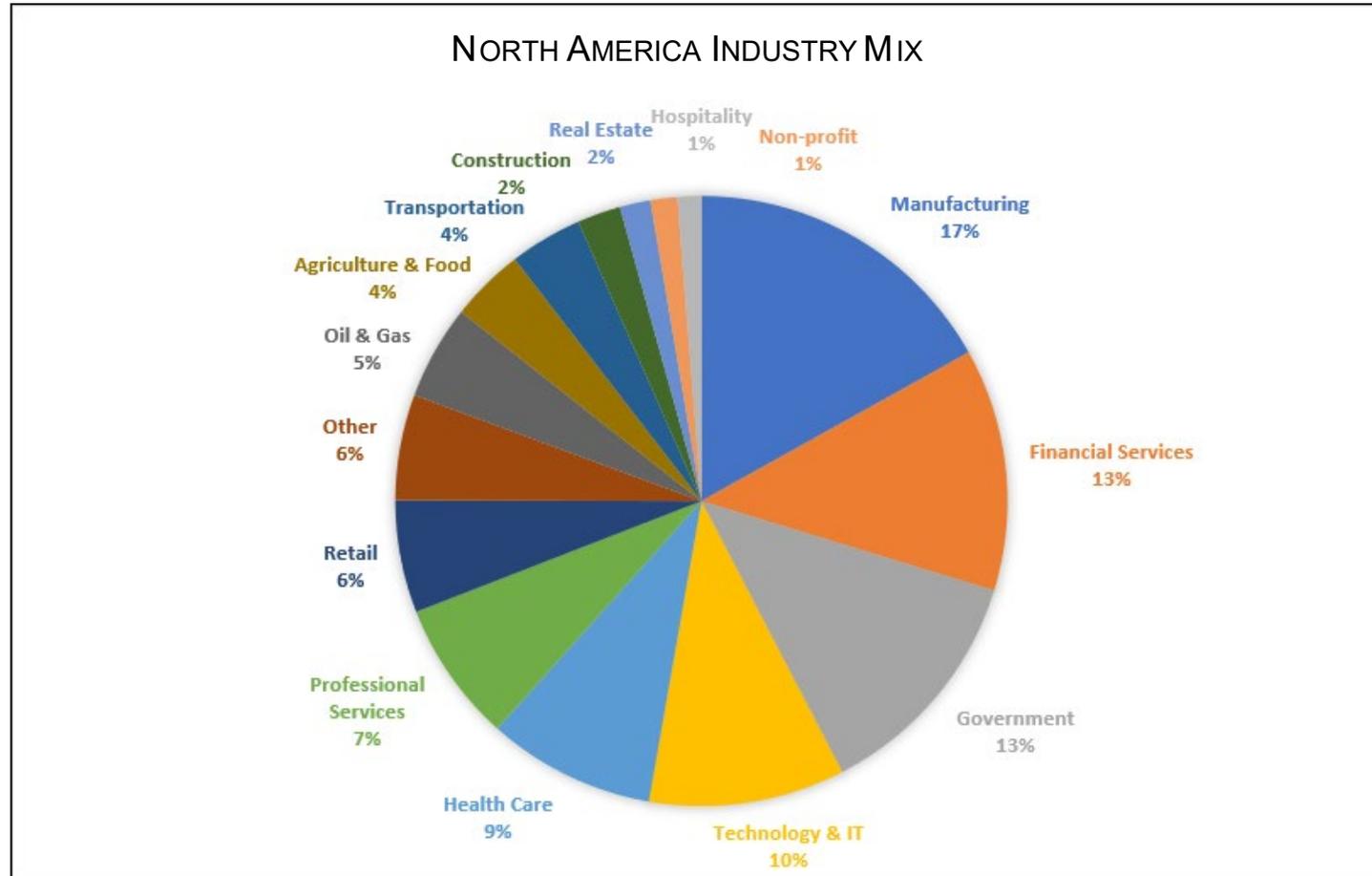


# Five Elements



1. Challenges We Address are Resilient
2. Client Commitment and Loyalty
- 3. Diversity of Client Base Gives Strong Foundation**
4. Compelling Subscription Business Model
5. Liquidity Provides Opportunities for Growth

# Diversity of Base Gives Strong Foundation

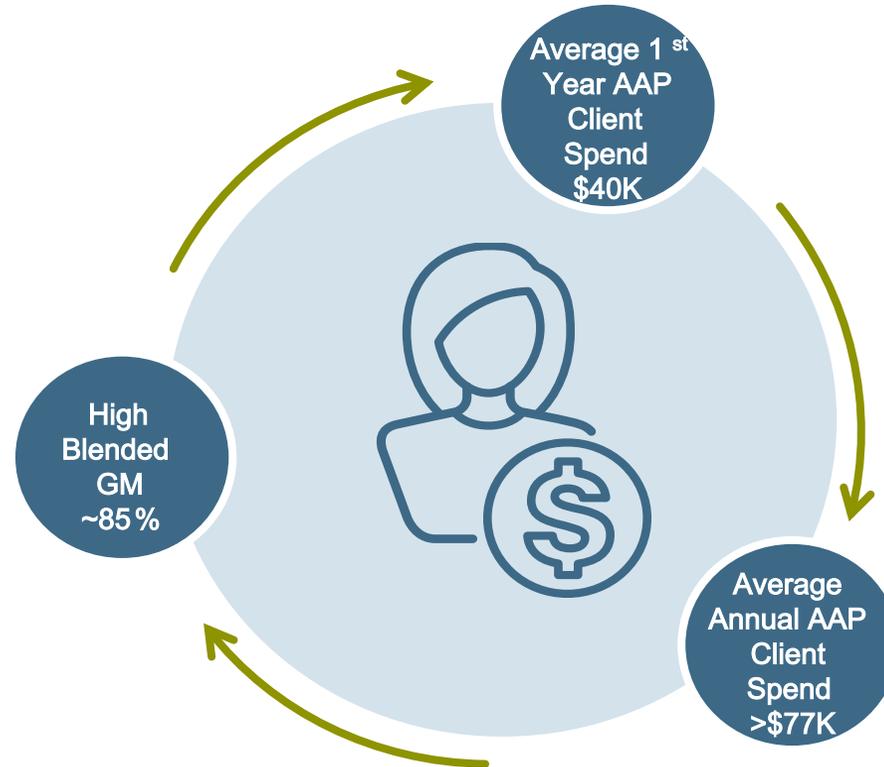


# Five Elements



1. Challenges We Address are Resilient
2. Client Commitment and Loyalty
3. Diversity of Client Base Gives Strong Foundation
4. **Compelling Subscription Business Model**
5. Liquidity Provides Opportunities for Growth

# Compelling Subscription Business Model\*



\*Represents estimated Enterprise North America amounts.

# Five Elements



1. Challenges We Address are Resilient
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3. Diversity of Client Base Gives Strong Foundation
4. Compelling Subscription Business Model
5. Liquidity Provides Opportunities for Growth

# Revenue Headlines

Second Quarter



**+9%**

Revenue Growth

+11% YTD +12% LTM

**+15%**

Subscription &  
Subscription Services Revenue

+18% YTD +22% LTM

**+22%**

Deferred Subscription Revenue  
(Billed & Unbilled)

\$145.8M as of February 28, 2023

**55%\***

AAP Multiyear % of Total Invoiced  
Amounts in North America

\*Note: In Q2FY23 the Company modified its methodology for calculating this ratio.

# Profitability Headlines

Second Quarter



**76.4%**

Gross Margin Percent

76.2% YTD 76.1% LTM

**63.2%**

Operating SG&A as % of Sales

61.2% YTD 60.2% LTM

**+3%**

Flow-through Incremental Rev to Increase in Adj EBITA

13% YTD 22% LTM

**+2%**

Adjusted EBITDA Growth

9% YTD 18% LTM

**\$11.2M**

YTD 2<sup>nd</sup> Qtr Net Cash Provided by Operating Activities

**\$70.1M**

\$55.1M Cash + \$15M Undrawn Revolver at the end of 2<sup>nd</sup> Qtr

# Enterprise Division- North America Headlines

Second Quarter



**+8%**

Revenue Growth

12% YTD 15% LTM

**+7%**

Subscription &  
Subscription Services Revenue

13% YTD 19% LTM

**+22%**

Balance Deferred Revenue  
(Billed & Unbilled)  
Q2FY23 vs Q2FY22

**55%**

AAP Contracted Revenue  
Represented by Multiyear  
Contracts

# Enterprise Division- International Headlines

Second Quarter



**+8%**

UK, GSA & Australia Offices  
Revenue Growth

10% YTD 20% LTM

**-17%**

Revenue - China & Japan

-12% YTD -23% LTM

**+13%**

International Licensee Partner  
Revenue Growth

11% YTD 16% LTM

# Education Division Headlines

Second Quarter



**+28%**

Revenue Growth

25% YTD 21% LTM

**+30%**

Subscription &  
Subscription Services Revenue

27% YTD 23% LTM

**+18%**

Balance Deferred Subscription  
Revenue (Q2FY23 vs Q2FY22)

**90%**

School Retention  
(as of August 31, 2022)

# Positive Momentum- Client Wins

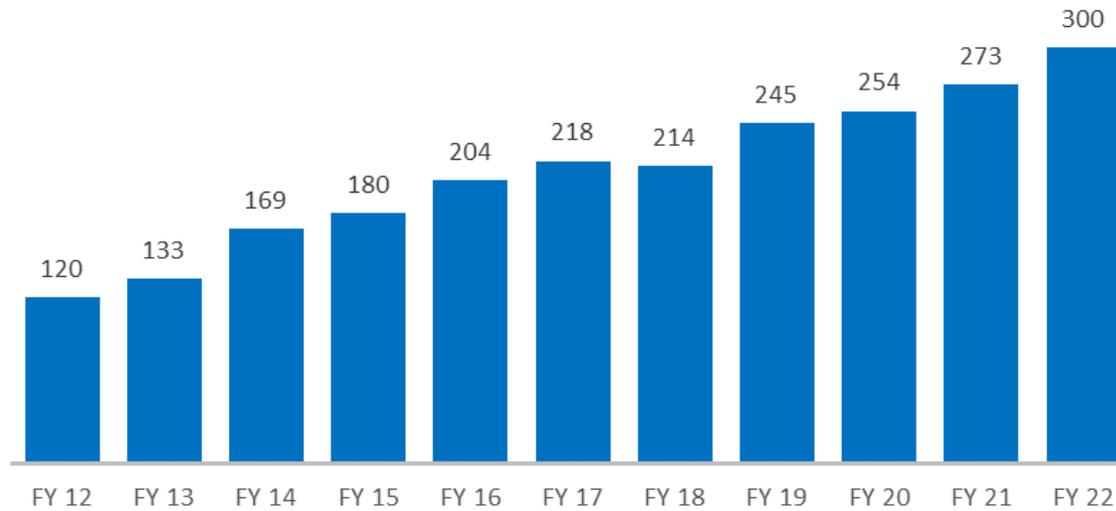


1. Sales transformation 5 -year contract
2. IT consulting client win back
3. Transportation company expansion
4. Food & beverage renewal and expansion
5. Education division district and state -wide initiatives

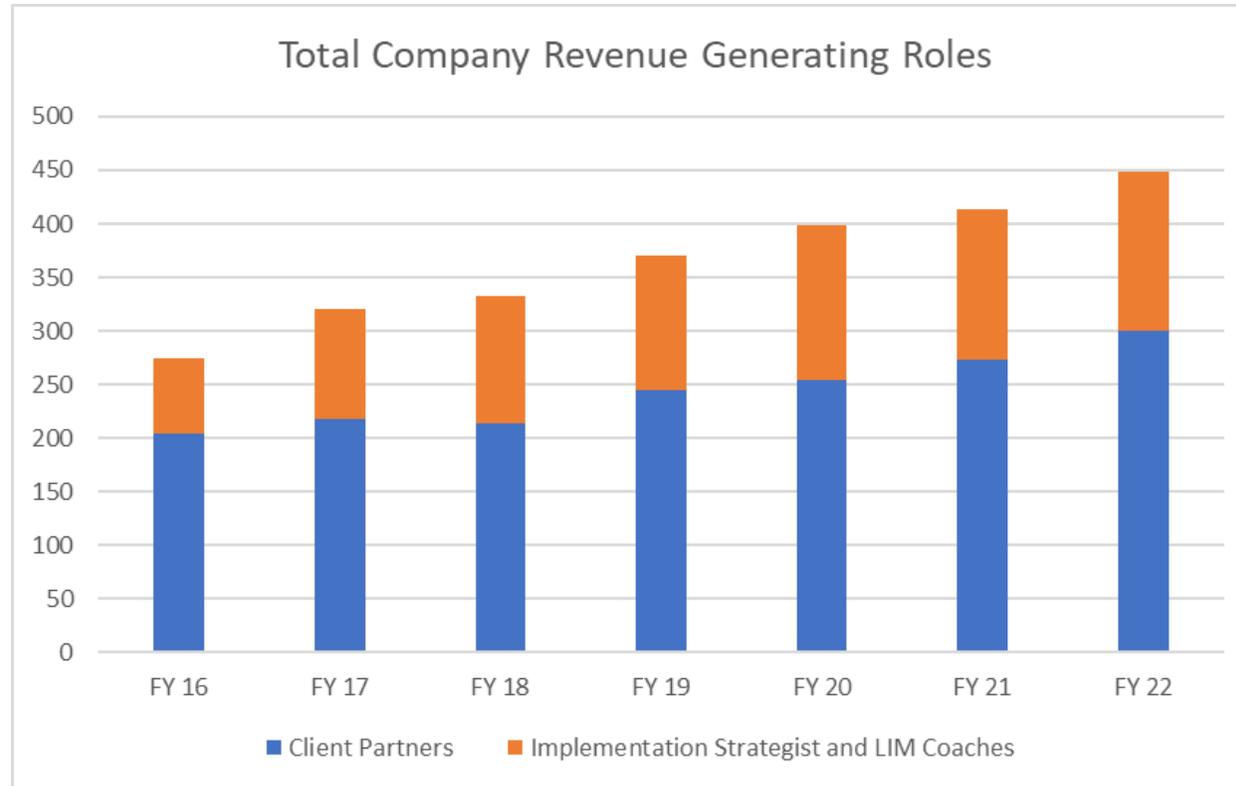
# Client Partner Growth



Number of CP's



# Client Account Revenue Generating Roles



# Guidance and Outlook



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

Note: Guidance and Outlook is given in constant currency.

James Williams  
Managing Client Partner



# Appendix

# Other Information



## OTHER INCOME STATEMENT INFORMATION :

- Depreciation: \$4.9M in FY2022, expected to total approximately \$5.6M 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: 13,842k shares outstanding as of February 28, 2023. 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: 289 on February 28, 2023.
- Impact of FX in Q2 of FY23: decrease to sales \$1.0M; decrease to Adjusted EBITDA \$0.2M. YTD Impact: decrease to sales \$3.0M; decrease to adjusted EBITDRA of \$1.0M

*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)



	Q2 FY 23				Q2 FY 22				LTM Q2			
	Q2 FY 23	Q2 FY 22	Chg	%	YTD Q2FY23	YTD Q2FY22	Chg	%	FY23	FY 22	Chg	%
Sales	\$ 61.8	\$ 56.6	\$ 5.2	9.1%	\$ 131.1	\$ 117.9	\$ 13.3	11.3%	\$ 276.1	\$ 245.5	\$ 30.6	12.4%
Cost of Sales	14.5	12.5	2.1	16.5%	31.2	26.1	5.0	19.2%	66.0	54.7	11.3	20.7%
Gross Profit	47.2	44.1	3.1	7.0%	100.0	91.7	8.2	9.0%	210.2	190.9	19.3	10.1%
Gross Profit %	76.4%	77.9%	(150)	bps	76.2%	77.8%	(159)	bps	76.1%	77.7%	(163)	bps
Operating SG&A	39.0	36.1	3.0	8.2%	80.3	73.7	6.6	8.9%	166.3	153.8	12.5	8.1%
Operating SG&A %	63.2%	63.7%	54	bps	61.2%	62.6%	133	bps	60.2%	62.6%	242	bps
Adjusted EBITDA	\$ 8.2	\$ 8.0	\$ 0.1	1.8%	\$ 19.7	\$ 18.0	\$ 1.7	9.4%	\$ 43.9	\$ 37.1	\$ 6.8	18.3%

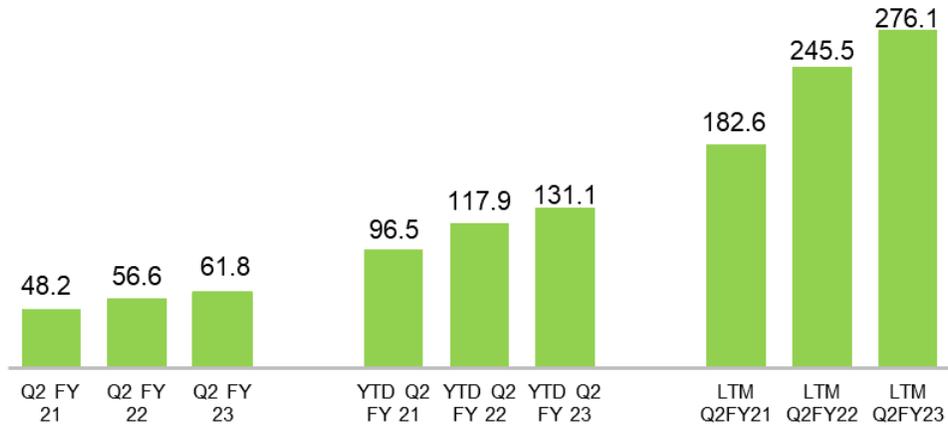
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

# FranklinCovey Financial Summary

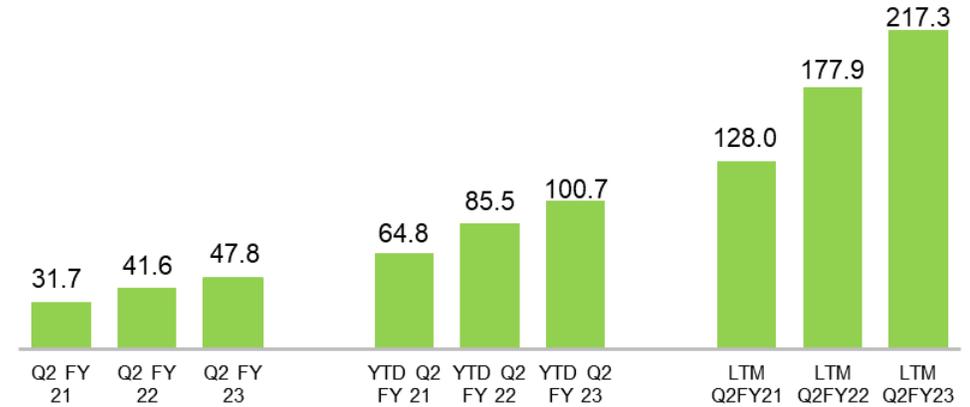
(in millions and unaudited)



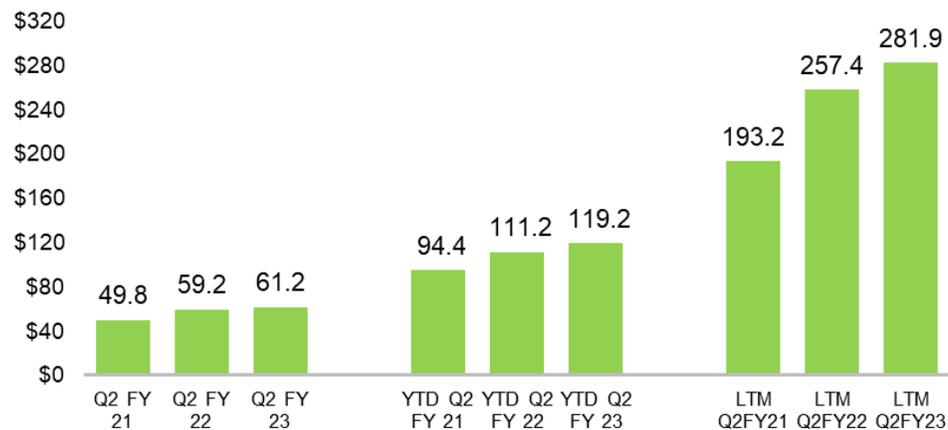
## SALES



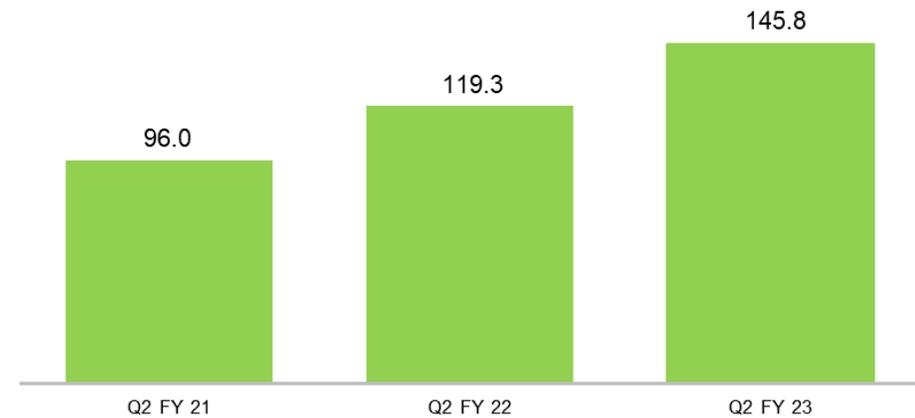
## SUBSCRIPTION AND SUBSCRIPTION SERVICES



## INVOICED



## DEFERRED & UNBILLED DEFERRED REVENUE

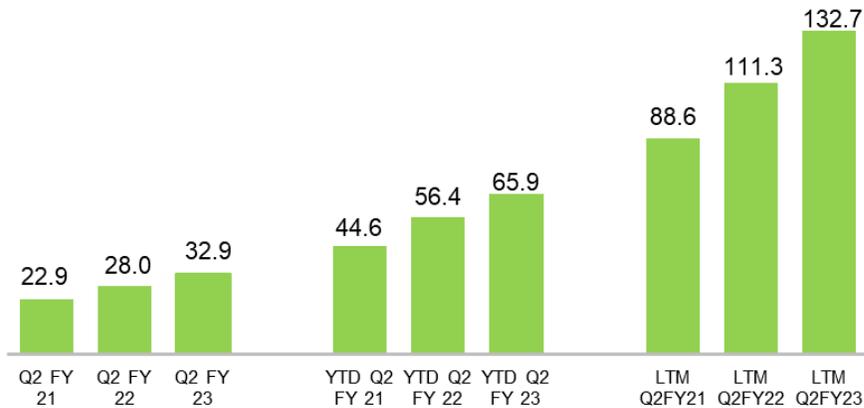


# Trends in the Business

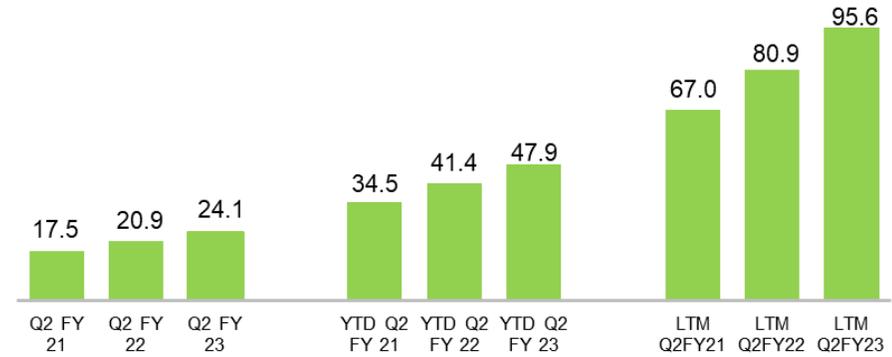
(in millions and unaudited)



## SUBSCRIPTION REVENUE



## AAP AND OTHER SUBSCRIPTION REVENUE



## EDUCATION SUBSCRIPTION REVENUE

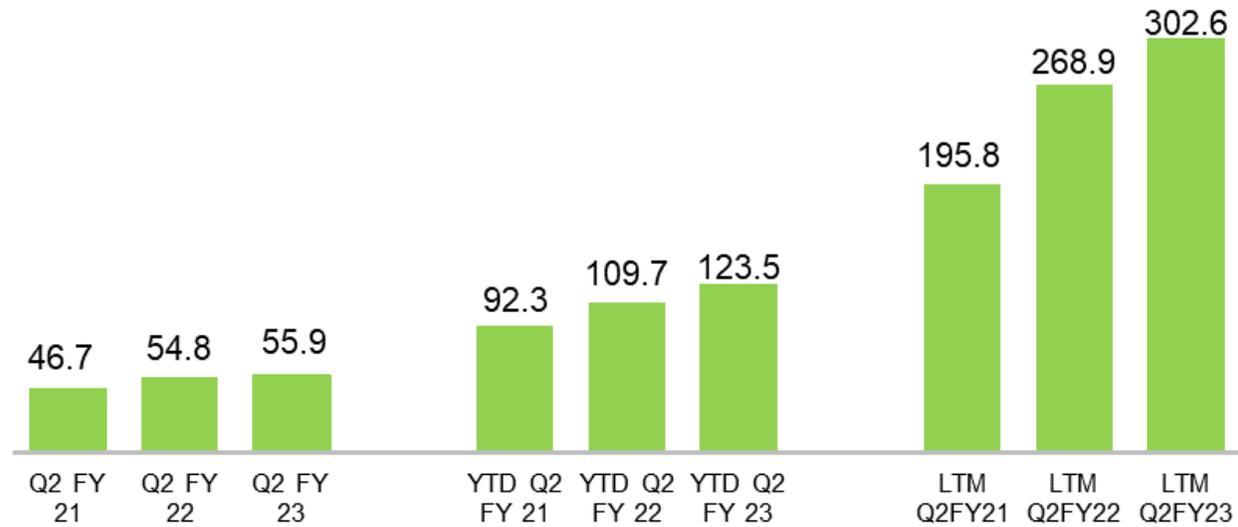


# Contracted

(in millions and unaudited)



## CONTRACTED



# Sales Information

(in millions and unaudited)



	FY2018	FY2019	FY2020	FY 2021				FY2021	FY 2022				FY2022	FY 2023	
				Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2
<b>Sales</b>															
<b>Reported Net Sales</b>	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	61.8
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)	(0.6)
<b>Invoiced Amount</b>	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	61.2
<b>Balance Sheet</b>															
<b>Roll-Forward of Deferred Subscription Revenue</b>															
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	76.7
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	32.3
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)	(32.9)
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)	(0.6)
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	76.1
<b>Unbilled Deferred Contracts</b>															
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	74.9
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	11.7
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)	(5.1)	(16.9)
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	69.7
<b>Breakout of Deferred Sales (above)</b>															
<b>Subscription Sales (Invoiced Amounts)</b>															
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	28.4
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	2.6
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	1.4
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	32.3

**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 Member subscriptions, 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)



	Enterprise Division				Education Division				Corporate			Total Company			
	FY23	FY22	Change	%	FY23	FY22	Change	%	FY23	FY22	Change	FY23	FY22	Change	%
<b>Second Quarter</b>															
Sales	46.6	44.1	2.5	5.6%	14.2	11.1	3.1	28.3%	1.0	1.4	(0.5)	61.8	56.6	5.2	9.1%
Change in Deferred Subscription Revenue	5.7	7.6	(1.9)	-24.7%	(6.3)	(5.0)	(1.3)	25.7%	-	(0.0)	0.0	(0.6)	2.6	(3.2)	-121.7%
Invoiced Amounts	52.3	51.7	0.6	1.2%	7.9	6.1	1.8	30.4%	1.0	1.4	(0.5)	61.2	59.2	2.0	3.4%
Change in Unbilled Deferred Revenue	(5.3)	(4.3)	(1.0)		0.1	(0.1)	0.2		0.0	0.0	0.0	(5.3)	(4.4)	(0.9)	
Total Contracts Signed	46.9	47.4	(0.4)	-0.9%	8.0	6.0	2.0	33.9%	1.0	1.4	(0.5)	55.9	54.8	1.1	2.1%
	Enterprise Division				Education Division				Corporate			Total Company			
	FY23	FY22	Change	%	FY23	FY22	Change	%	FY23	FY22	Change	FY23	FY22	Change	%
<b>Last 12 Months</b>															
Sales	202.2	183.3	18.9	10.3%	67.6	55.7	11.9	21.5%	6.3	6.5	(0.3)	276.1	245.5	30.6	12.4%
Change in Deferred Subscription Revenue	2.7	8.1	(5.4)	-66.4%	3.1	3.8	(0.8)	-19.9%	(0.0)	(0.1)	0.1	5.8	11.8	(6.1)	-51.2%
Invoiced Amounts	204.9	191.4	13.5	7.1%	70.7	59.5	11.2	18.8%	6.3	6.5	(0.2)	281.9	257.4	24.5	9.5%
Change in Unbilled Deferred Revenue	21.1	11.4	9.7	85.0%	(0.4)	0.1	(0.6)	-513.0%	(0.0)	(0.0)	(0.0)	20.7	11.5	9.2	79.4%
Total Contracts Signed	226.1	202.8	23.2	11.5%	70.2	59.6	10.6	17.8%	6.3	6.5	(0.2)	302.6	268.9	33.7	12.5%
	Enterprise Division				Education Division				Corporate			Total Company			
	FY23	FY22	Change	%	FY23	FY22	Change	%	FY23	FY22	Change	FY23	FY22	Change	%
<b>As of February 28</b>															
Deferred Subscription Revenue Balance	55.9	53.3	2.7	5.1%	20.2	17.1	3.1	17.9%	-	-	-	76.1	70.4	5.8	8.2%
Unbilled Deferred Revenue Balance	68.9	47.7	21.1	44.3%	0.8	1.3	(0.4)	-35.6%	-	-	-	69.7	49.0	20.7	42.3%
Total	124.8	101.0	23.8	23.6%	21.0	18.4	2.6	14.2%	-	-	-	145.8	119.3	26.5	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 Income to Adjusted EBITDA

(in thousands and unaudited)



	Quarter Ended		Two Quarters Ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 1,739	\$ 1,878	\$ 6,406	\$ 5,690
Adjustments:				
Interest expense, net	47	411	377	842
Income tax provision	1,042	1,228	2,438	2,530
Amortization	1,093	1,346	2,185	2,776
Depreciation	951	1,190	2,196	2,470
Stock-based compensation	3,315	1,969	6,050	3,618
Increase in the fair value of contingent consideration liabilities	-	20	7	48
Adjusted EBITDA	<u>\$ 8,187</u>	<u>\$ 8,042</u>	<u>\$ 19,659</u>	<u>\$ 17,974</u>
Adjusted EBITDA margin	13.3%	14.2%	15.0%	15.3%

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, 2023	February 28, 2022	February 28, 2023	February 28, 2022
<b>Sales by Division/Segment:</b>				
Enterprise Division:				
Direct offices	\$ 43,646	\$ 41,502	\$ 93,812	\$ 86,621
International licensees	2,935	2,588	6,213	5,586
	46,581	44,090	100,025	92,207
Education Division	14,198	11,066	28,549	22,763
Corporate and other	977	1,443	2,551	2,889
<b>Consolidated</b>	<b>\$ 61,756</b>	<b>\$ 56,599</b>	<b>\$ 131,125</b>	<b>\$ 117,859</b>
<b>Gross Profit by Division/Segment:</b>				
Enterprise Division:				
Direct offices	\$ 35,854	\$ 33,948	\$ 75,775	\$ 70,150
International licensees	2,659	2,304	5,635	5,005
	38,513	36,252	81,410	75,155
Education Division	8,392	7,098	17,568	14,959
Corporate and other	305	764	974	1,599
<b>Consolidated</b>	<b>\$ 47,210</b>	<b>\$ 44,114</b>	<b>\$ 99,952</b>	<b>\$ 91,713</b>
<b>Adjusted EBITDA by Division/Segment:</b>				
Enterprise Division:				
Direct offices	\$ 9,641	\$ 8,732	\$ 20,890	\$ 18,686
International licensees	1,541	1,444	3,372	3,115
	11,182	10,176	24,262	21,801
Education Division	(622)	(324)	(341)	(89)
Corporate and other	(2,373)	(1,810)	(4,262)	(3,738)
<b>Consolidated</b>	<b>\$ 8,187</b>	<b>\$ 8,042</b>	<b>\$ 19,659</b>	<b>\$ 17,974</b>

# Condensed Consolidated Balance Sheets

(in thousands and unaudited)



	February 28, 2023	August 31, 2022
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 55,121	\$ 60,517
Accounts receivable, less allowance for doubtful accounts of \$4,116 and \$4,492	53,729	72,561
Inventories	3,468	3,527
Prepaid expenses and other current assets	18,532	19,278
Total current assets	130,850	155,883
Property and equipment, net	9,853	9,798
Intangible assets, net	42,651	44,833
Goodwill	31,220	31,220
Deferred income tax assets	3,555	4,686
Other long-term assets	15,956	12,735
	<u>\$ 234,085</u>	<u>\$ 259,155</u>

	February 28, 2023	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	3,365	3,199
Accounts payable	8,488	10,864
Deferred subscription revenue	74,089	85,543
Other deferred revenue	14,619	14,150
Accrued liabilities	18,654	34,205
Total current liabilities	125,050	153,796
Notes payable, less current portion	4,823	7,268
Financing obligation, less current portion	6,233	7,962
Other liabilities	6,419	7,116
Deferred income tax liabilities	199	199
Total liabilities	142,724	176,341
Shareholders' equity:		
Common stock	1,353	1,353
Additional paid-in capital	225,643	220,246
Retained earnings	88,427	82,021
Accumulated other comprehensive loss	(526)	(542)
Treasury stock at cost, 13,216 and 13,203 shares	(223,536)	(220,264)
Total shareholders' equity	91,361	82,814
	<u>\$ 234,085</u>	<u>\$ 259,155</u>

# Condensed Consolidated Income Statements

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



	Quarter Ended		Two Quarters Ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Net sales	\$ 61,756	\$ 56,599	\$ 131,125	\$ 117,859
Cost of sales	14,546	12,485	31,173	26,146
Gross profit	47,210	44,114	99,952	91,713
Selling, general, and administrative	42,338	38,061	86,350	77,405
Depreciation	951	1,190	2,196	2,470
Amortization	1,093	1,346	2,185	2,776
<b>Income from operations</b>	<b>2,828</b>	<b>3,517</b>	<b>9,221</b>	<b>9,062</b>
Interest expense, net	(47)	(411)	(377)	(842)
<b>Income before income taxes</b>	<b>2,781</b>	<b>3,106</b>	<b>8,844</b>	<b>8,220</b>
Income tax provision	(1,042)	(1,228)	(2,438)	(2,530)
<b>Net income</b>	<b>\$ 1,739</b>	<b>\$ 1,878</b>	<b>\$ 6,406</b>	<b>\$ 5,690</b>
Net income per common share:				
Basic and diluted	\$ 0.13	\$ 0.13	\$ 0.46	\$ 0.40
Diluted	0.12	0.13	0.44	0.40
Weighted average common shares:				
Basic	13,900	14,312	13,888	14,279
Diluted	14,533	14,333	14,520	14,323
Other data:				
Adjusted EBITDA <sup>(1)</sup>	\$ 8,187	\$ 8,042	\$ 19,659	\$ 17,974

(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



	Two Quarters Ended	
	February 28, 2023	February 28, 2022
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 6,406	\$ 5,690
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,381	5,246
Amortization of capitalized curriculum costs	1,648	1,620
Stock-based compensation	6,050	3,618
Deferred income taxes	1,130	1,277
Change in fair value of contingent consideration liabilities	7	48
Amortization of right-of-use operating lease assets	411	475
Change in working capital	<u>(8,825)</u>	<u>5,264</u>
Net cash provided by operating activities	<u>11,208</u>	<u>23,238</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(2,644)	(1,264)
Curriculum development costs	<u>(5,277)</u>	<u>(774)</u>
Net cash used for investing activities	<u>(7,921)</u>	<u>(2,038)</u>
<b>FREE CASH FLOW</b>	<b><u>\$ 3,287</u></b>	<b><u>\$ 21,200</u></b>

# Enterprise Division Financial Summary

(in millions and unaudited)



	Q2 FY 23				Q2 FY 22				LTM Q2			
	Q2 FY 23	Q2 FY 22	Chg	%	YTD Q2FY23	YTD Q2FY22	Chg	%	FY23	FY 22	Chg	%
Sales	\$ 46.6	\$ 44.1	\$ 2.5	5.6%	\$ 100.0	\$ 92.2	\$ 7.8	8.5%	\$ 202.2	\$ 183.3	\$ 18.9	10.3%
Cost of Sales	8.1	7.8	0.2	2.9%	18.6	17.1	1.6	9.2%	38.5	34.0	4.6	13.5%
Gross Profit	38.5	36.3	2.3	6.2%	81.4	75.2	6.3	8.3%	163.7	149.4	14.3	9.6%
Gross Profit %	82.7%	82.2%	46	bps	81.4%	81.5%	(12)	bps	80.9%	81.5%	(53)	bps
Operating SG&A	27.3	26.1	1.3	4.8%	57.1	53.4	3.8	7.1%	118.8	111.7	7.1	6.3%
Operating SG&A %	58.7%	59.1%	47	bps	57.1%	57.9%	73	bps	58.7%	60.9%	218	bps
Adjusted EBITDA	\$ 11.2	\$ 10.2	\$ 1.0	9.9%	\$ 24.3	\$ 21.8	\$ 2.5	11.3%	\$ 44.9	\$ 37.7	\$ 7.2	19.1%

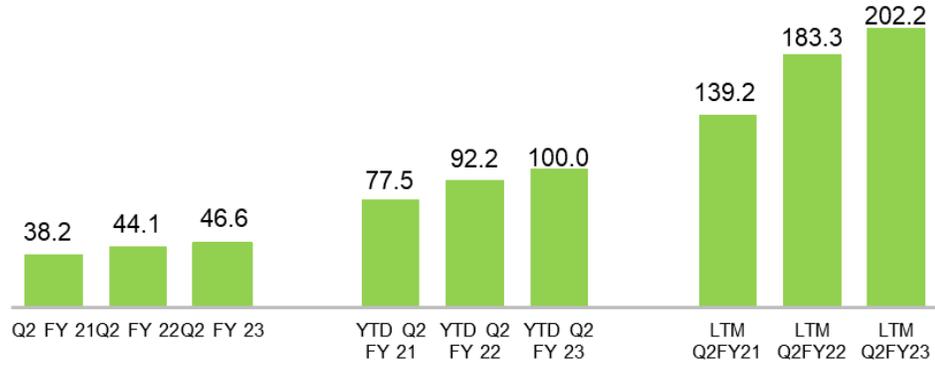
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

# Enterprise Division Financial Summary

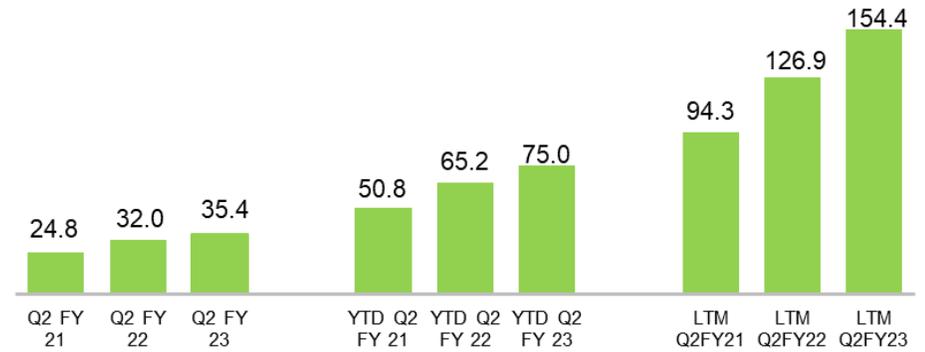
(in millions and unaudited)



## SALES



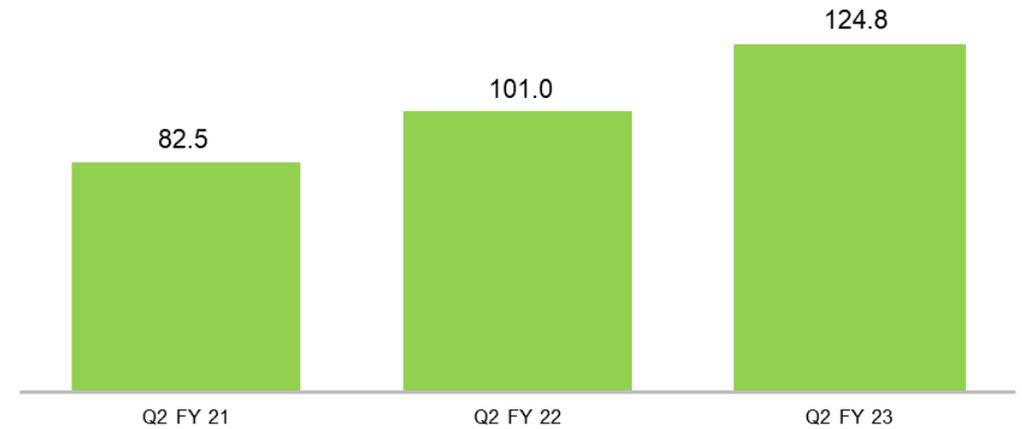
## AAP SUBSCRIPTION AND SUBSCRIPTION SERVICES



## INVOICED



## DEFERRED & UNBILLED DEFERRED REVENUE



# Enterprise Division AAP & Related Revenue

(in millions and unaudited)



	LTM Q2FY23	LTM Q2FY22	LTM Q2FY21
AAP Sales	\$95.6	\$80.9	\$67.0
AAP Add on Sales*	58.8	46.0	27.4
<b>Total AAP and Related</b>	<b>154.4</b>	<b>126.9</b>	<b>94.3</b>
<b>Percent of AAP and Related Sales to Total Enterprise Sales</b>	<b>76%</b>	<b>69%</b>	<b>68%</b>
Legacy Sales	28.4	38.0	30.7
International licensees	11.2	9.6	7.1
Other Sales	8.3	8.9	7.2
<b>Total Enterprise Sales</b>	<b>\$202.2</b>	<b>\$183.3</b>	<b>\$139.2</b>

	LTM Q2FY23	LTM Q2FY22	LTM Q2FY21
North America Sales	\$150.0	\$130.1	\$101.6
International Direct Office Sales	32.7	34.6	23.4
Other Sales	8.3	8.9	7.2
<b>Total Direct Office Division Sales</b>	<b>191.0</b>	<b>173.6</b>	<b>132.2</b>
International Licensees	11.2	9.6	7.1
<b>Total Enterprise Sales</b>	<b>\$202.2</b>	<b>\$183.3</b>	<b>\$139.2</b>

Q2FY23	Q1FY23	Q4FY22	Q3FY22	Q2FY22
\$24.1	\$23.8	\$25.2	\$22.4	\$20.9
11.3	15.8	15.1	16.6	11.2
<b>35.4</b>	<b>39.6</b>	<b>40.3</b>	<b>39.1</b>	<b>32.0</b>
<b>76%</b>	<b>74%</b>	<b>77%</b>	<b>78%</b>	<b>73%</b>
6.0	8.4	7.8	6.2	7.2
2.9	3.3	2.4	2.6	2.6
2.3	2.2	1.7	2.2	2.2
<b>\$46.6</b>	<b>\$53.4</b>	<b>\$52.2</b>	<b>\$50.0</b>	<b>\$44.1</b>
Q2FY23	Q1FY23	Q4FY22	Q3FY22	Q2FY22
\$34.1	\$38.7	\$39.4	\$37.8	\$31.5
\$7.3	\$9.3	\$8.8	\$7.4	\$7.8
2.3	2.2	1.7	2.2	2.2
43.6	50.2	49.8	47.4	41.5
2.9	3.3	2.4	2.6	2.6
<b>\$46.6</b>	<b>\$53.4</b>	<b>\$52.2</b>	<b>\$50.0</b>	<b>\$44.1</b>

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

beg in selling AAP in China. Prior periods have been associated with an AAP sale. If a historical Legacy client

# Education Division Financial Summary

(in millions and unaudited)



	<u>Q2 FY 23</u>	<u>Q2 FY 22</u>	<u>Chg</u>	<u>%</u>	<u>YTD Q2FY23</u>	<u>YTD Q2FY22</u>	<u>Chg</u>	<u>%</u>	<u>LTM Q2</u>	<u>LTM Q2</u>	<u>Chg</u>	<u>%</u>
									<u>FY23</u>	<u>FY 22</u>		
Sales	\$ 14.2	\$ 11.1	\$ 3.1	28.3%	\$ 28.5	\$ 22.8	\$ 5.8	25.4%	\$ 67.6	\$ 55.7	\$ 11.9	21.5%
Cost of Sales	5.8	4.0	1.8	46.3%	11.0	7.8	3.2	40.7%	23.8	17.3	6.5	37.8%
Gross Profit	8.4	7.1	1.3	18.2%	17.6	15.0	2.6	17.4%	43.8	38.4	5.4	14.1%
Gross Profit %	59.1%	64.1%	(503)	bps	61.5%	65.7%	(418)	bps	64.8%	69.0%	(417)	bps
Operating SG&A	9.0	7.4	1.6	21.5%	17.9	15.0	2.9	19.0%	35.7	30.5	5.1	16.8%
Operating SG&A %	63.5%	67.1%	358	bps	62.7%	66.1%	337	bps	52.7%	54.8%	210	bps
Adjusted EBITDA	(\$0.6)	(\$0.3)	(\$0.3)	92.2%	(\$0.3)	(\$0.1)	(\$0.3)	283.6%	\$ 8.2	\$ 7.9	\$ 0.3	3.7%

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.

# Education Division Financial Summary

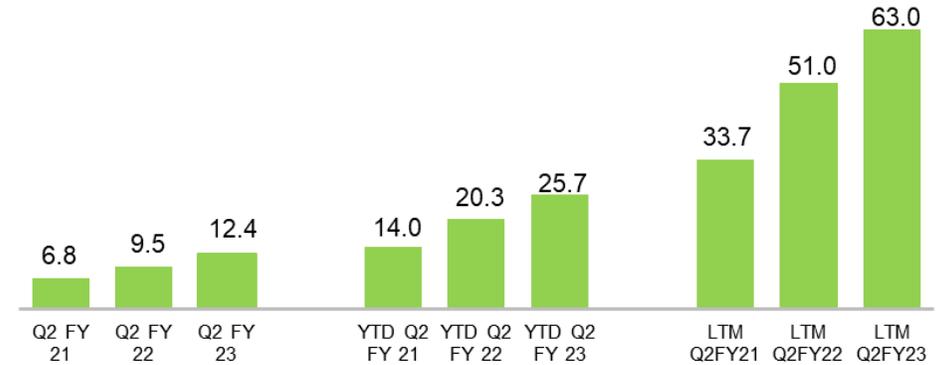
(in millions and unaudited)



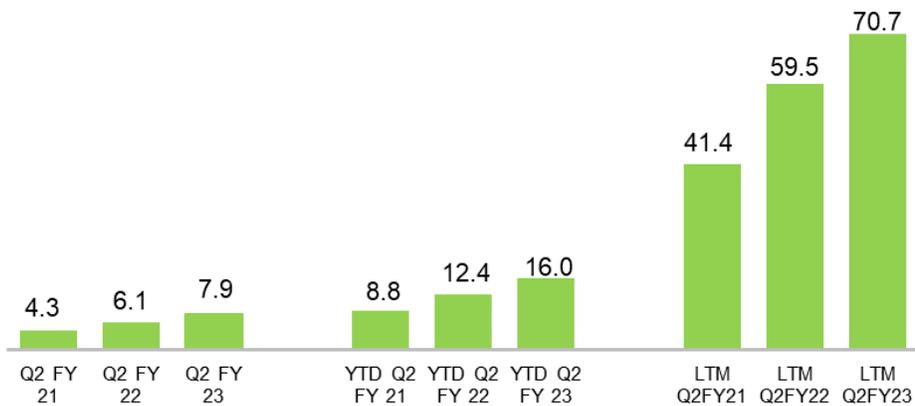
## SALES



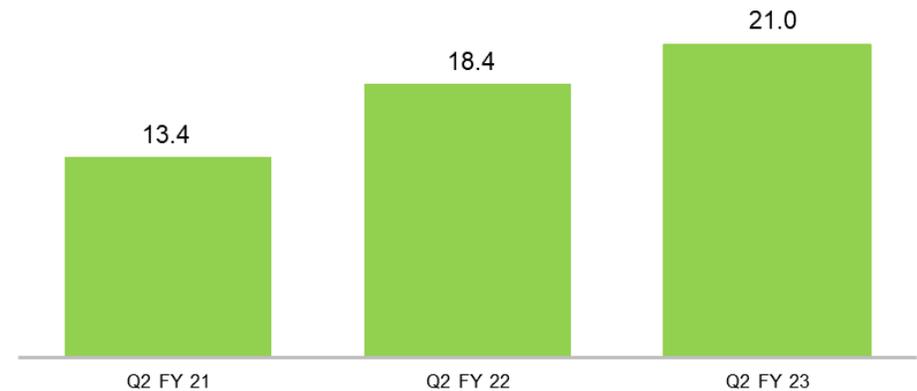
## EDUCATION SUBSCRIPTION AND SUBSCRIPTION SERVICES



## 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, invoicing 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