

Greatness Starts Here

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



FranklinCovey™



Investor Update

Third Quarter Fiscal Year 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



+13%

Revenue Growth

+19% YTD

+31%

Subscription & Subscription Services
Revenue

+31% YTD

+21%

Deferred Revenue
(Billed & Unbilled)

\$116.5M YTD

Revenue Headlines

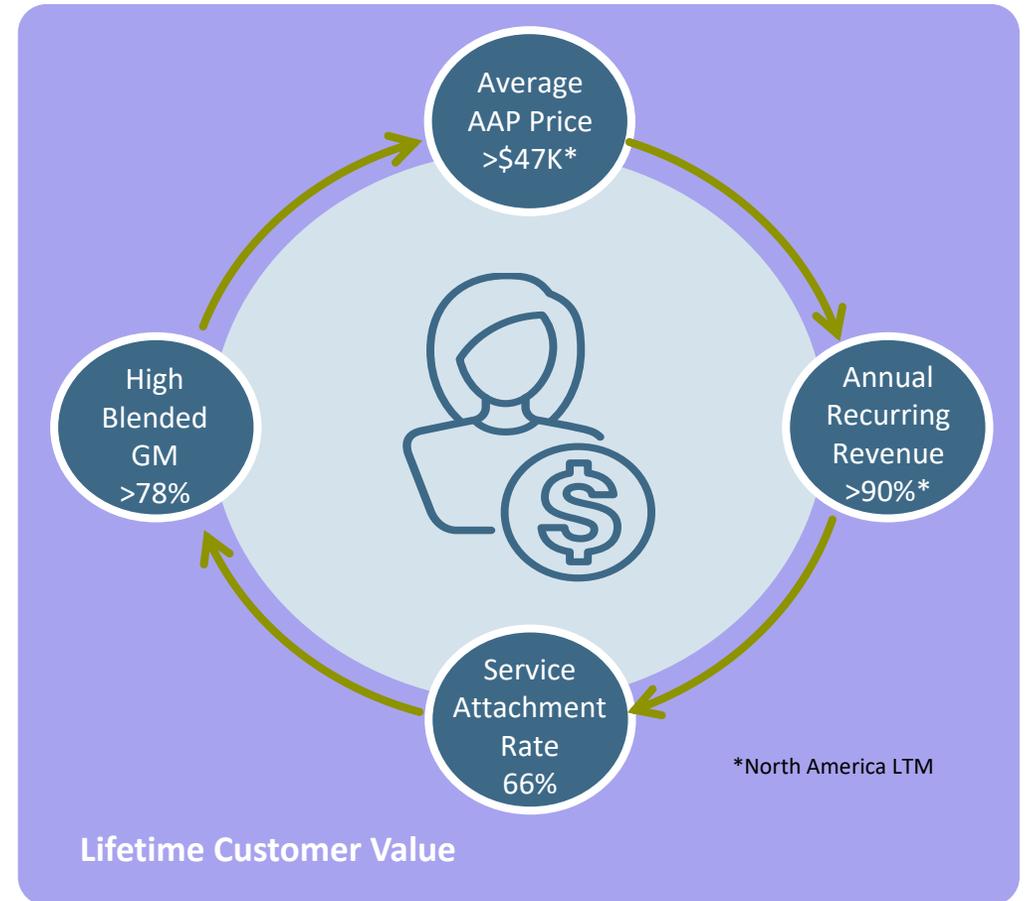


+42%

AAP Multiyear Contracts

+58%

Total AAP Subscription Revenue Represented by Multiyear Contracts



Profitability Headlines



77.3%

Gross Margin Percent

77.6% YTD

60.8%

Operating SG&A as % of Sales

61.9% YTD

+31%

Flow-through Incremental Rev to Increase in Adj EBITA

+40% YTD

+27%

Adjusted EBITDA Growth

+66% YTD

\$39.5M

Net Cash Provided by Operating Activities

\$20.3M

Share Repurchase Investment of ~500K Shares

Outlook



	Past Targets (as of Q1FY22)	Recent Shared Targets (as of Q2FY22)	New Targets (as of Q3FY22)
General Revenue Outlook	High single digits	Low double digits	Low teens
FY22 Adjusted EBITDA Guidance	Mid-point of \$35M	Mid-point of \$38.5M	Mid-point of \$40.75M
FY23 - FY25 Outlook for Adjusted EBITDA Growth	FY23: \$45M FY24: \$55M	FY23: \$45M FY24: \$55M	FY23: \$47-48.5M FY24: \$57M FY25: \$67M

Enterprise Division North America Headlines



+20%

Revenue Growth

19% YTD

+27%

Subscription & Subscription Services
Revenue Growth

25% YTD

+16%

Balance Deferred Revenue (Billed &
Unbilled)

58%

AAP Contract Revenue Represented
by Multiyear Contracts

Education Division Headlines



+21%

Revenue Growth

33% YTD

+28%

Subscription & Subscription Services
Revenue Growth

38% YTD

+49%

Balance Deferred Revenue (Billed &
Unbilled)

FranklinCovey's Financial Headlines

(in millions and unaudited)



	<u>Q3 FY22</u>	<u>Q3 FY21</u>	<u>Chg</u>	<u>%</u>	<u>YTD Q3FY22</u>	<u>YTD Q3FY21</u>	<u>Chg</u>	<u>%</u>	<u>LTM Q3FY22</u>	<u>LTM Q3FY21</u>	<u>Chg</u>	<u>%</u>
Sales	\$ 66.2	\$ 58.7	\$ 7.4	12.7%	\$ 184.0	\$ 155.2	\$ 28.8	18.6%	\$ 253.0	\$ 204.2	\$ 48.8	23.9%
Cost of Sales	15.0	12.8	2.2	17.3%	41.2	35.6	5.6	15.7%	56.9	46.7	10.1	21.7%
Gross Profit	51.1	45.9	5.2	11.4%	142.8	119.6	23.2	19.4%	196.1	157.5	38.6	24.5%
Gross Profit %	77.3%	78.2%	(89)	bps	77.6%	77.1%	55	bps	77.5%	77.1%	40	bps
Operating SG&A	40.3	37.3	2.9	7.8%	114.0	102.2	11.8	11.5%	156.7	131.2	25.5	19.5%
Operating SG&A %	60.8%	63.6%	275	bps	61.9%	65.9%	392	bps	61.9%	64.2%	229	bps
Adjusted EBITDA	\$ 10.9	\$ 8.6	\$ 2.3	27.0%	\$ 28.9	\$ 17.4	\$ 11.4	65.8%	\$ 39.4	\$ 26.3	\$ 13.1	49.8%

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.

Free Cash Flow



	Three Quarters Ended	
	May 31, 2022	May 31, 2021
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 12,852	\$ 11,816
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,792	8,407
Amortization of capitalized curriculum costs	2,374	2,583
Stock-based compensation	5,987	5,127
Deferred income taxes	(1,409)	(10,521)
Change in fair value of contingent consideration liabilities	60	164
Amortization of right-of-use operating lease assets	695	758
Change in working capital	11,185	12,518
Net cash provided by operating activities	<u>39,536</u>	<u>30,852</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,080)	(1,185)
Curriculum development costs	(1,379)	(1,827)
Net cash used for investing activities	<u>(3,459)</u>	<u>(3,012)</u>
FREE CASH FLOW	<u>\$ 36,077</u>	<u>\$ 27,840</u>

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)

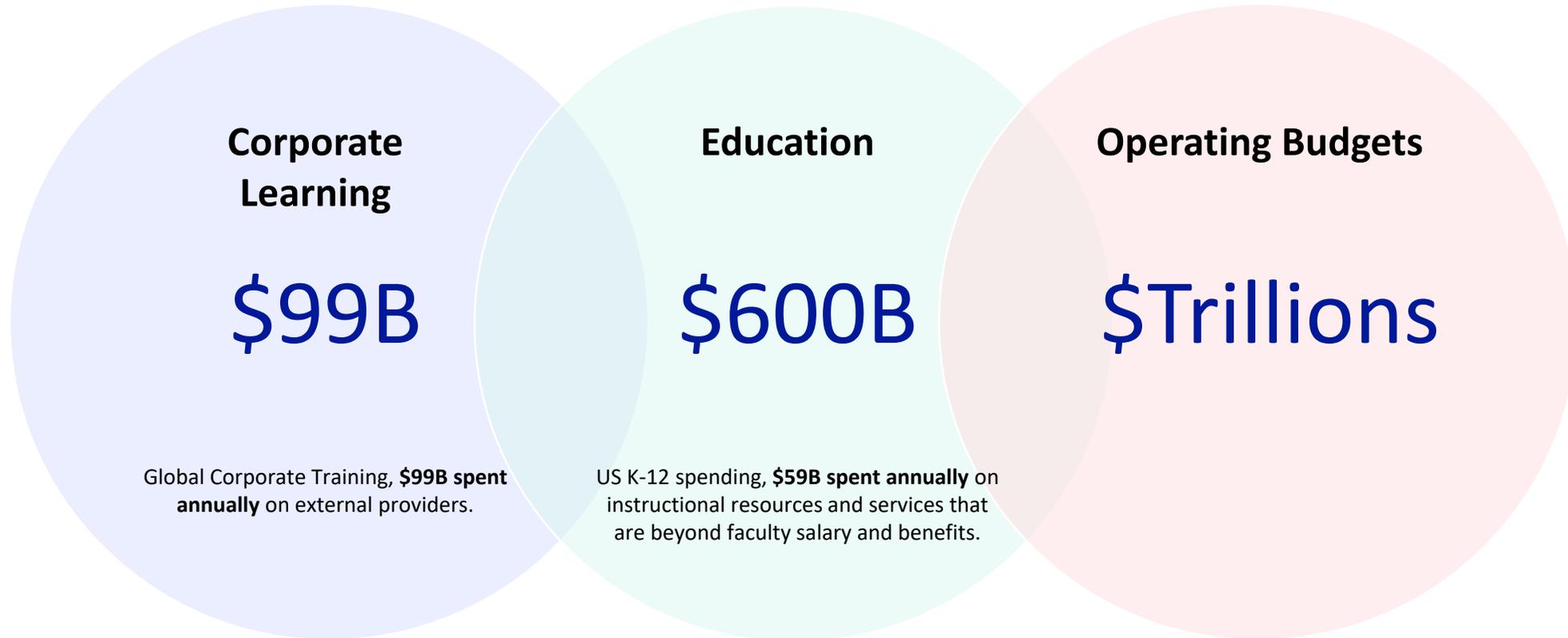
FOCUSED ON
MOST IMPORTANT,
LUCRATIVE &
DURABLE SPACE

SUBSCRIPTION
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AND PROFITABILITY

COMPELLING
OPPORTUNITIES
FOR GROWTH

INVESTING FREE
CASH FLOW TO
CREATE
ADDITIONAL VALUE

Key Driver #1



Key Driver #2



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



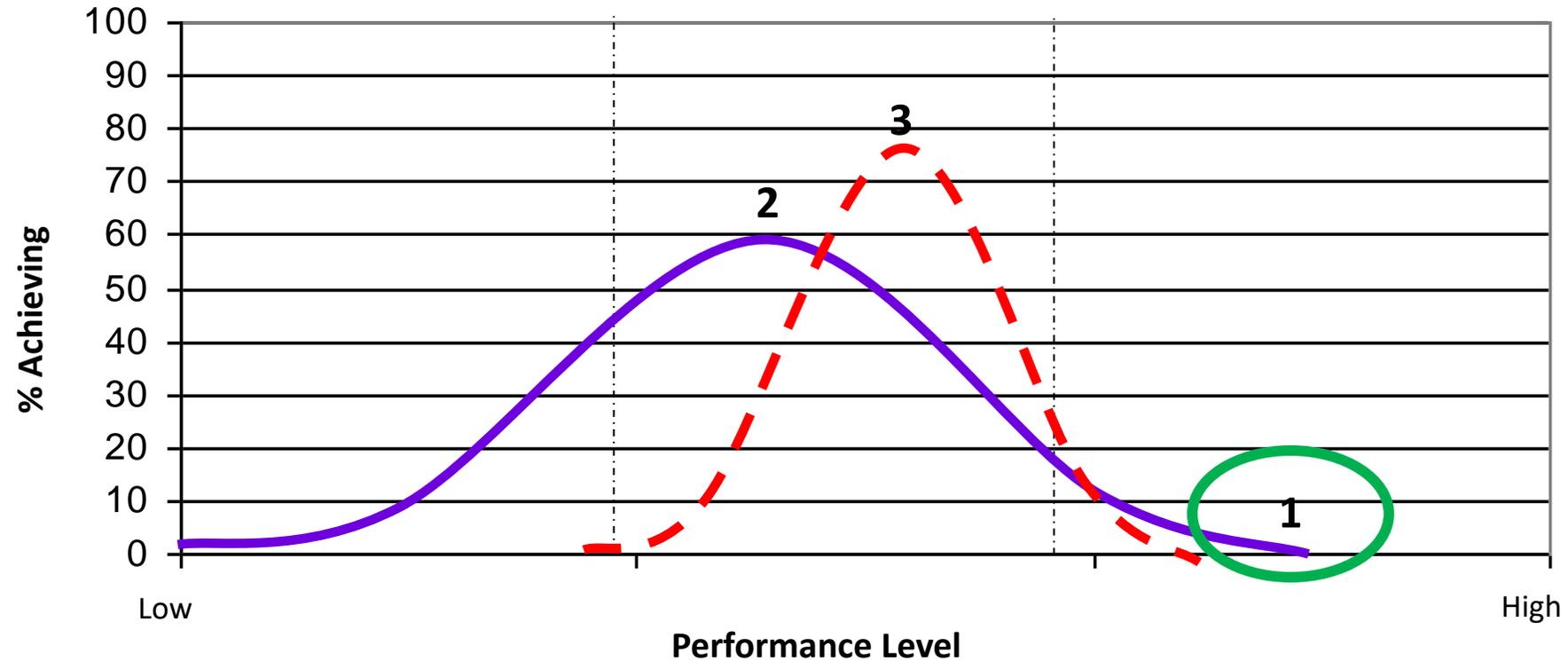
Collective behavior change
against must-win
organizational objectives

Benefits individuals



*Benefits individuals
and organizations*

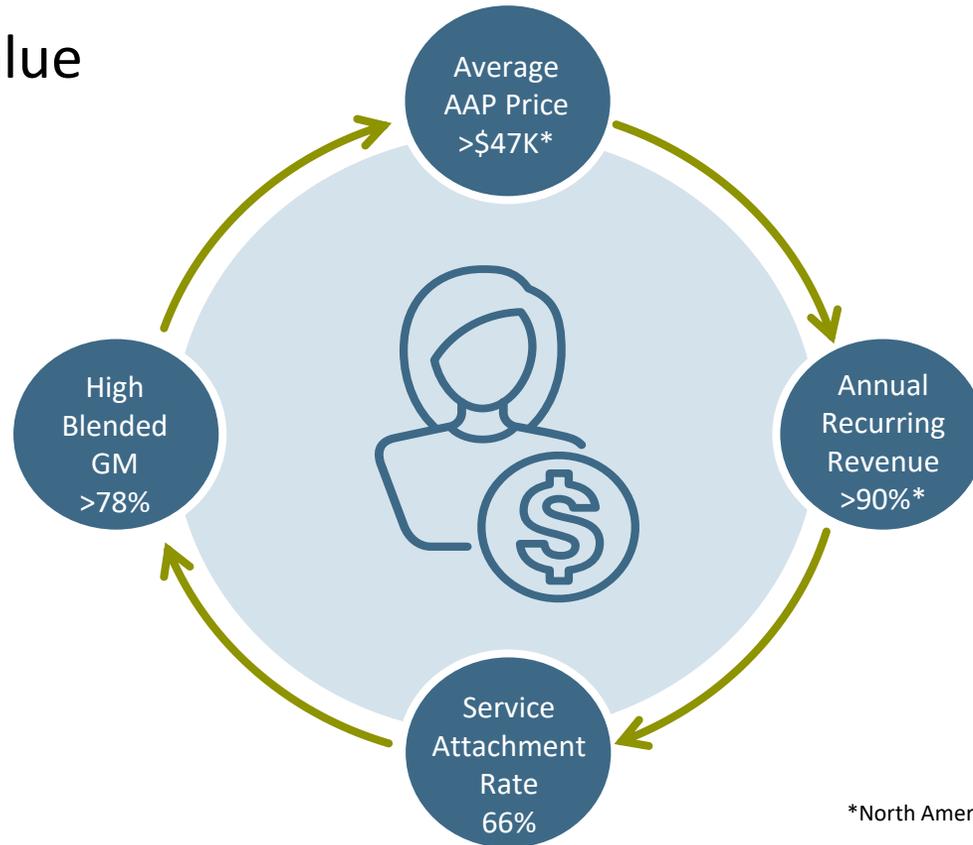
Key Driver #2



Key Driver #2



Lifetime Customer Value



*North America LTM

Key Driver #3



Key Driver #3



Total Company

+31%

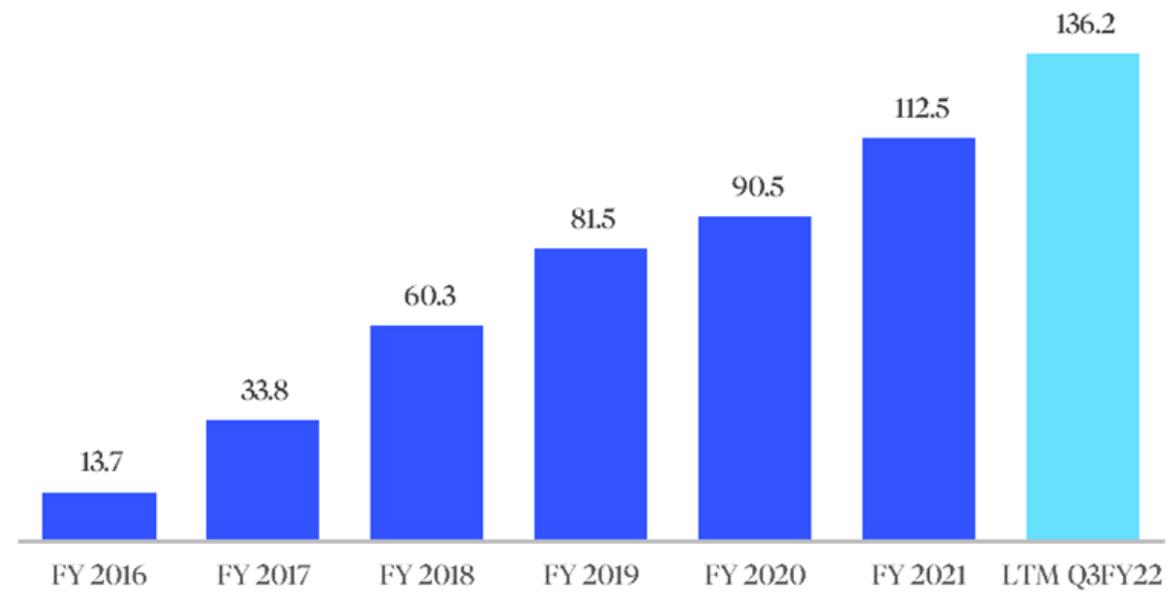
Subscription & Subscription Services
Revenue

+31% YTD

Key Driver #3



AAP & Subscription Services
(in millions and unaudited)



Key Driver #3



Education Division

+28%

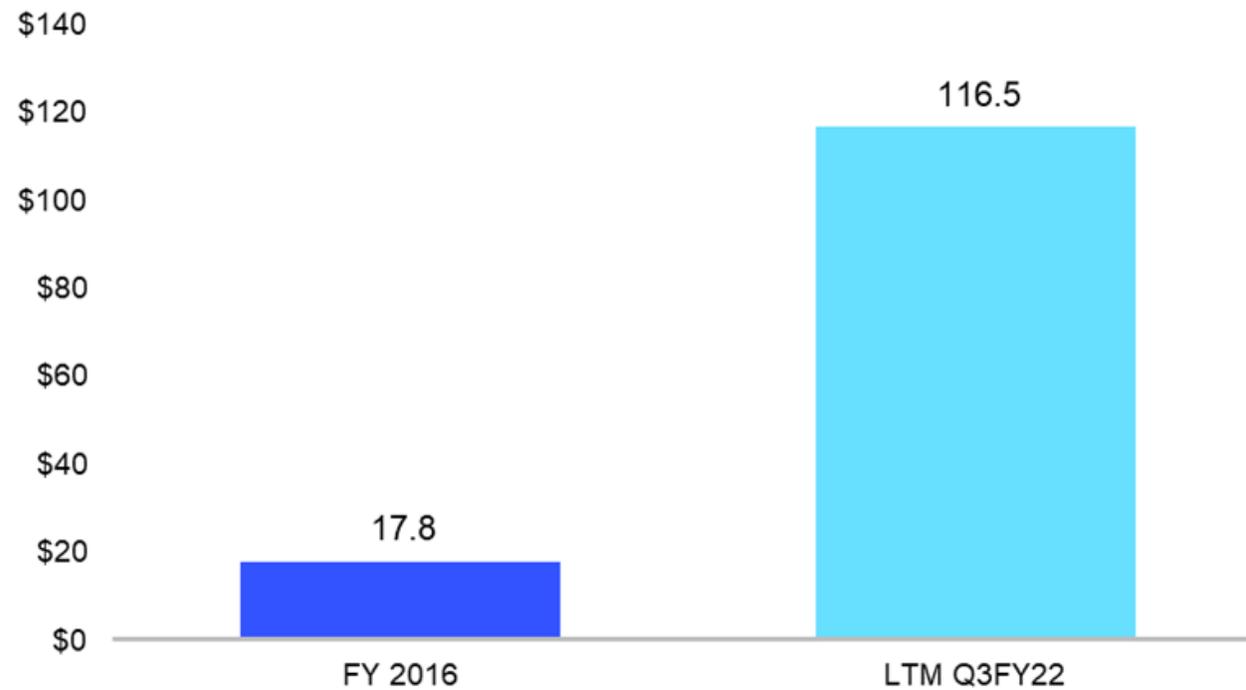
Subscription & Subscription Services
Revenue

38% YTD

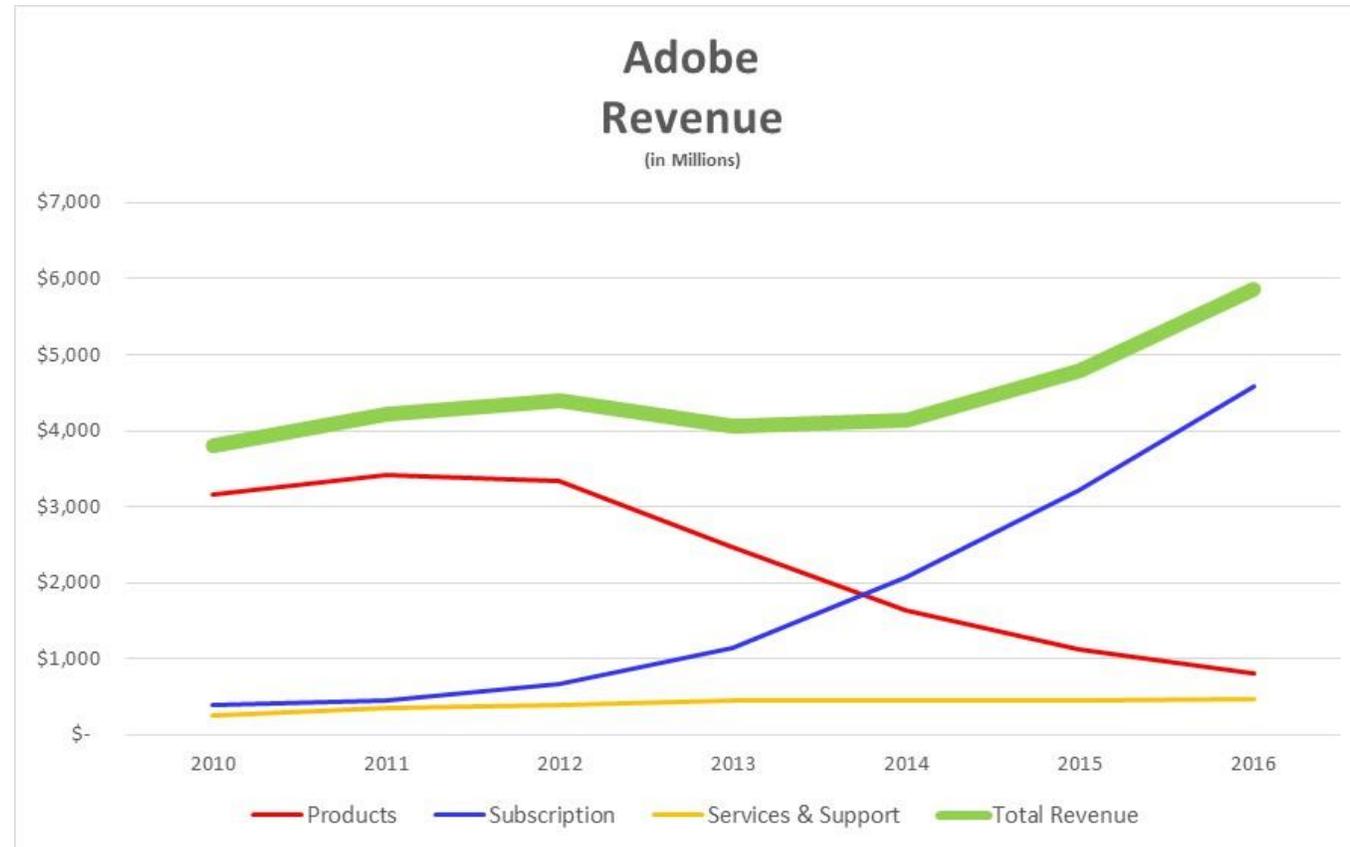
Key Driver #3



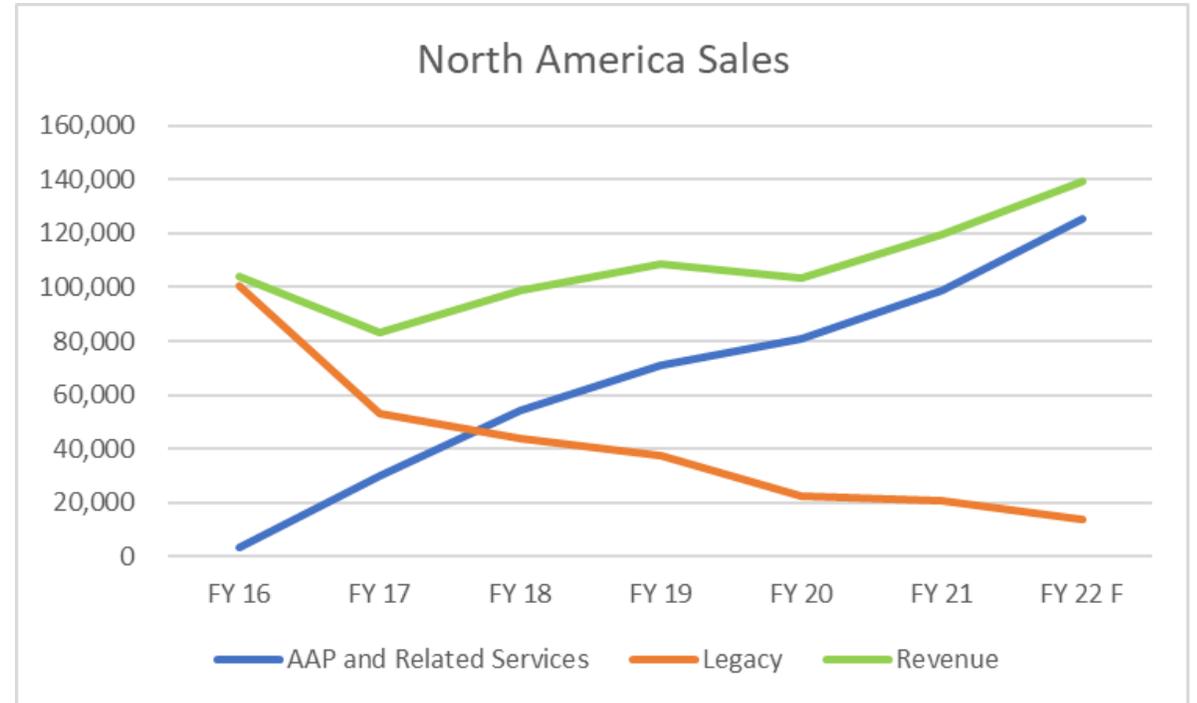
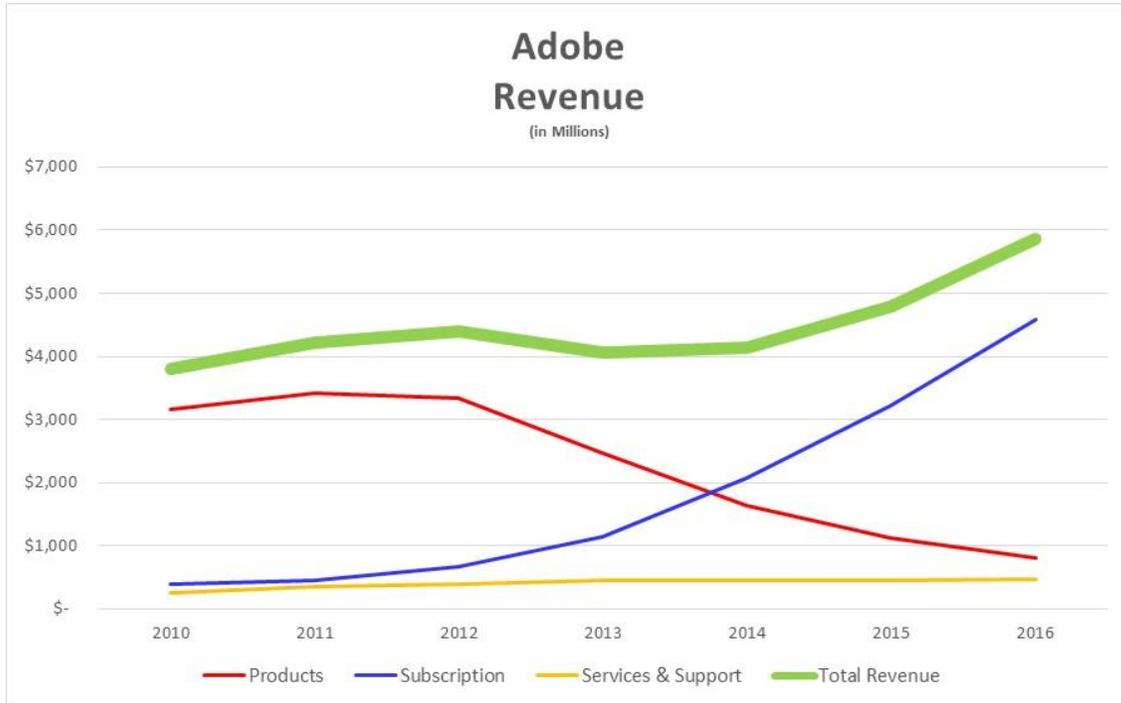
Billed & Unbilled Deferred Revenue
(in millions and unaudited)



Key Driver #3



Key Driver #3



Key Driver #4



LARGE TOTAL
ADDRESSABLE
MARKET (TAM)

FOCUSED ON
MOST IMPORTANT,
LUCRATIVE &
DURABLE SPACE

SUBSCRIPTION
MODEL DRIVES
GROWTH,
PREDICTABILITY
AND PROFITABILITY

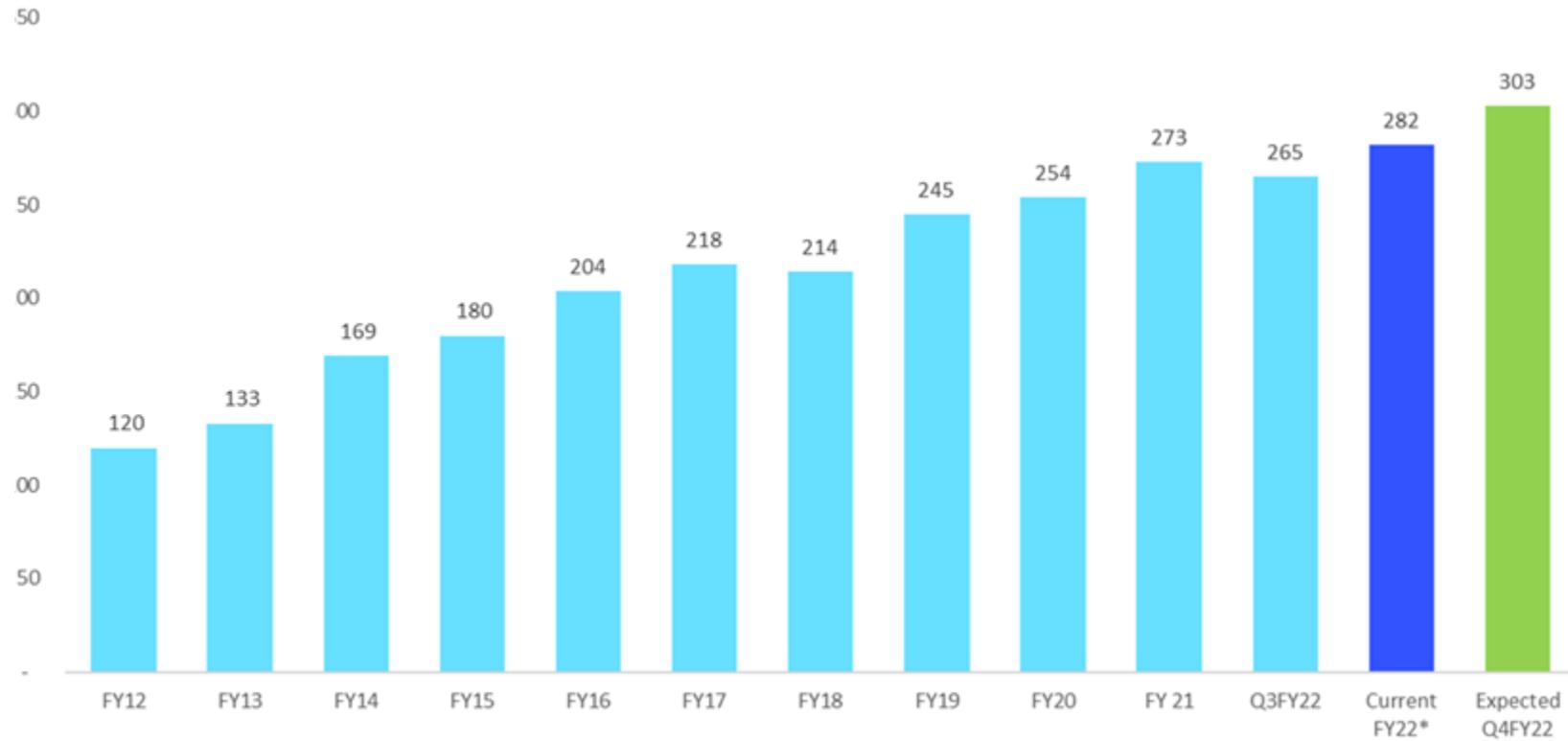
COMPELLING
OPPORTUNITIES
FOR GROWTH

INVESTING FREE
CASH FLOW TO
CREATE
ADDITIONAL VALUE

Key Driver #4



Client Partners



*Current CP + Accepted Offers as of June 24, 2022

Key Driver #5



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

Outlook



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James Williams
Managing Client Partner



Appendix

FranklinCovey - Who We Are



We are the most trusted leadership company in the world.

The nature of the opportunities we help clients address:

We help organizations achieve results that requires collective behavior change.



The best-performing organizations get four things right:

1. Develop exceptional leaders at every level;
2. Instill habits of effectiveness in every individual;
3. Build an inclusive, high-trust culture; and
4. Use a common execution framework to pursue their most important goals.



The focus and integrated nature of our solutions:

Everything we do is designed to help our clients succeed in these four key areas.

Our key solutions:

The All Access Pass and the *Leader in Me* Membership combine:

World-class content

A team of experts

Key metrics

A dynamic platform

FranklinCovey - All Access Pass Value Proposition



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

Other Information



OTHER INCOME STATEMENT INFORMATION:

- Depreciation: \$6.2M in FY2021, expected to total approximately \$5.2M in FY2022.
- Amortization: \$5.0M in FY2021, expected to total approximately \$5.3M in FY2022.
- Net Interest and Discount: \$2.0M in FY2021, expected to total approximately \$1.8M in FY2022.
- Share-based Compensation, Impaired Assets, Restructuring, Accrued Earnout and Other totaling \$8.7M in FY2021; expected to total approximately \$8.6M to \$9.6M in FY2022.
- 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 FY22 effective rate.

OTHER INFORMATION:

- Capital Expenditures: \$1.6M in FY2021, expected to total approximately \$4.8M to \$5.8M in FY2022.
- Capitalized Curriculum excluding acquired content: \$2.5M in FY2021, expected to total approximately \$4.0M to \$5.0M in FY2022, including localization of AAP content, AAP content development, and Education content development.
- Share Count: 13,858K shares outstanding as of May 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: 265 on May 31, 2022.
- Impact of FX in Q3 of FY22: decrease to sales \$0.8M in Q3 of FY2022; decrease to Adjusted EBITDA \$0.4M in Q3 of FY2022.

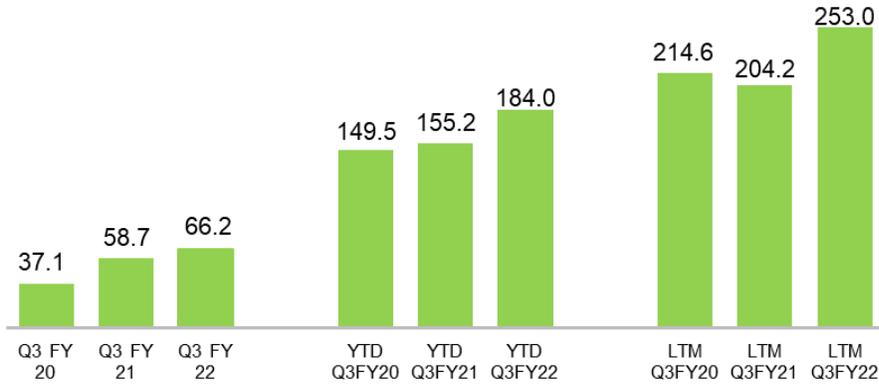
All the above-mentioned estimates are subject to change, perhaps material change, based on actual events and circumstances in the year.

FranklinCovey Financial Summary

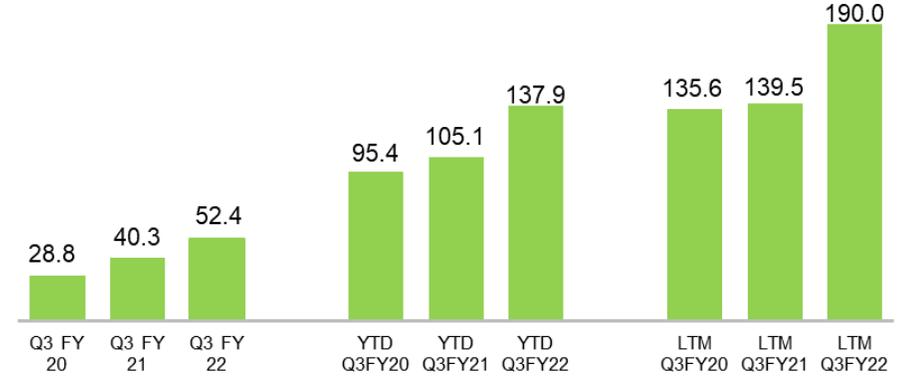
(in millions and unaudited)



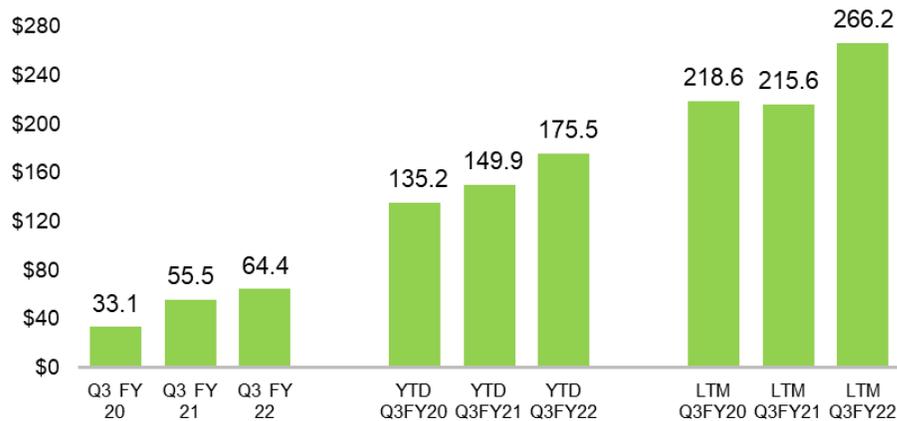
REVENUE



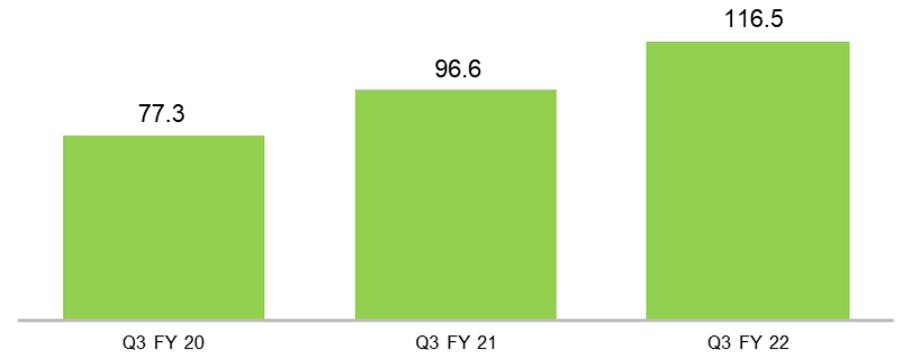
SUBSCRIPTION AND SUBSCRIPTION SALES



INVOICED



DEFERRED & UNBILLED DEFERRED REVENUE

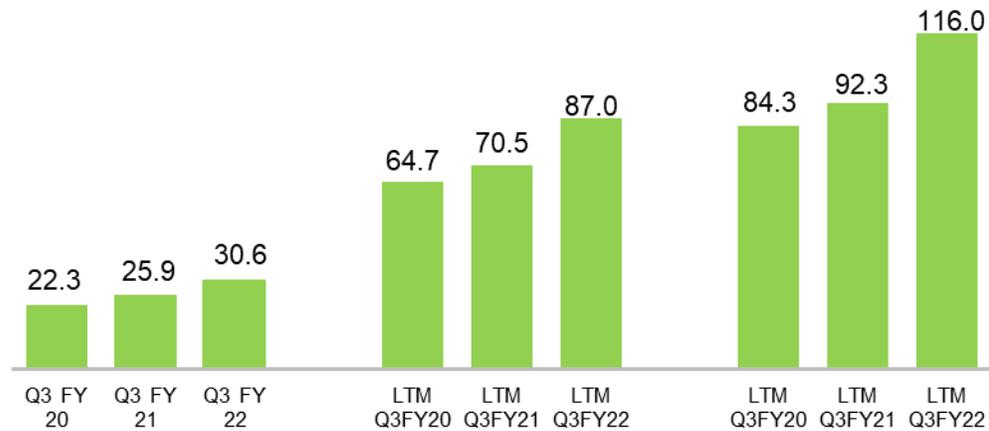


Trends in the Business

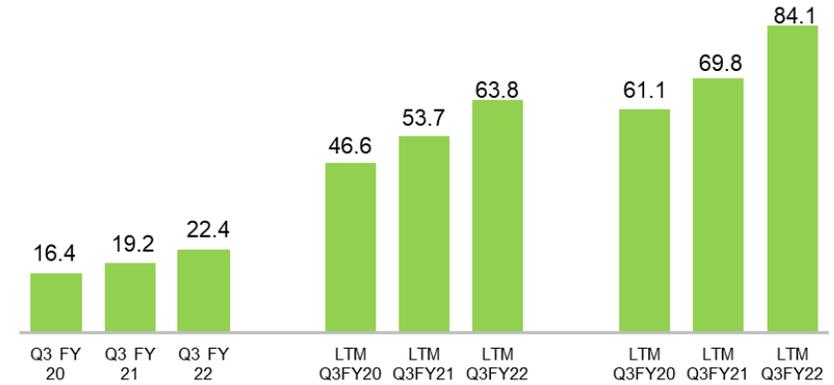
(in millions and unaudited)



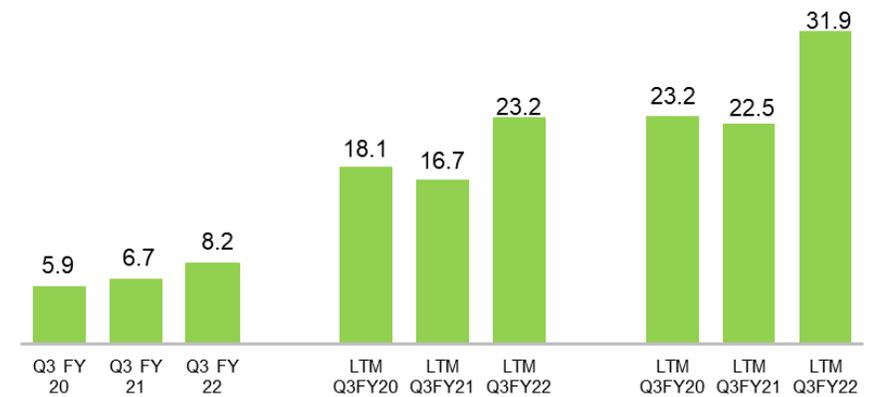
SUBSCRIPTION REVENUE



AAP SUBSCRIPTION REVENUE



EDUCATION SUBSCRIPTION REVENUE

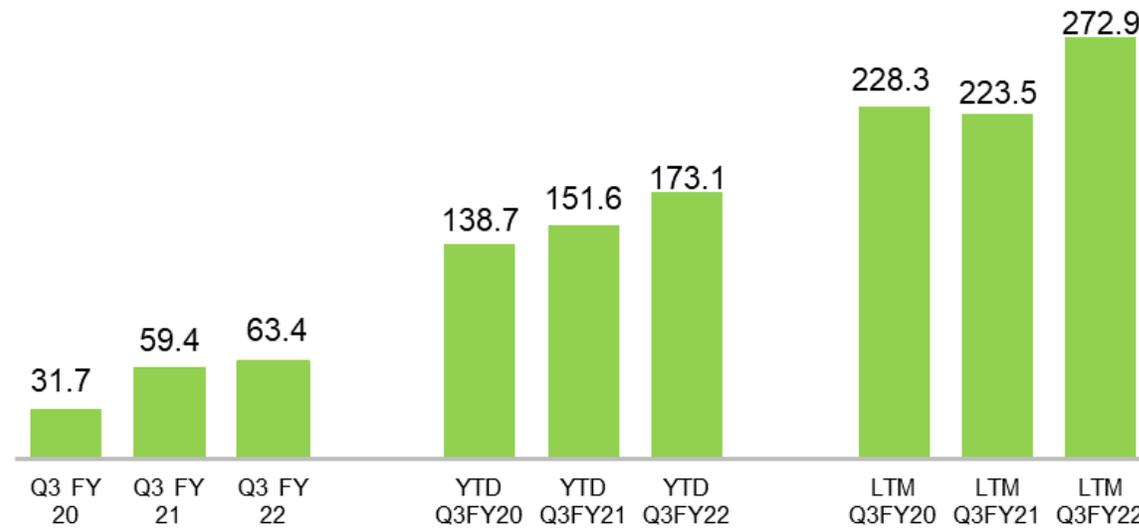


Contracted

(in millions and unaudited)



CONTRACTED



FranklinCovey Contracts Signed

(in millions and unaudited)



Third Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY22	FY21	Change	%	FY22	FY21	Change	%	FY22	FY21	Change	FY22	FY21	Change	%
Sales	50.0	45.1	4.9	10.9%	14.4	11.9	2.5	21.3%	1.7	1.7	(0.0)	66.2	58.7	7.4	12.7%
Change in Deferred Subscription Revenue	(1.5)	(2.2)	0.7	-32.8%	(0.4)	(1.0)	0.7	-66.0%	(0.0)	(0.0)	0.0	(1.8)	(3.2)	1.4	-43.8%
Invoiced Amounts	48.6	42.9	5.6	13.1%	14.1	10.8	3.2	29.8%	1.7	1.7	(0.0)	64.4	55.5	8.9	15.9%
Change in Unbilled Deferred Revenue	(0.7)	4.2	(4.9)		(0.3)	(0.4)	0.1		0.0	(0.0)	0.0	(1.0)	3.9	(4.9)	
Total Contracts Signed	47.9	47.2	0.7	1.5%	13.8	10.5	3.3	31.4%	1.7	1.7	(0.0)	63.4	59.4	4.0	6.7%

LTM Q3 FY 22	Enterprise Division				Education Division				Corporate			Total Company			
	FY22	FY21	Change	%	FY22	FY21	Change	%	FY22	FY21	Change	FY22	FY21	Change	%
Sales	188.3	156.9	31.4	20.0%	58.2	41.1	17.1	41.7%	6.5	6.3	0.2	253.0	204.2	48.8	23.9%
Change in Deferred Subscription Revenue	8.8	8.9	(0.1)	-0.9%	4.5	2.5	2.0	77.2%	(0.0)	(0.0)	(0.0)	13.2	11.4	1.8	16.2%
Invoiced Amounts	197.0	165.7	31.3	18.9%	62.7	43.6	19.1	43.8%	6.4	6.2	0.2	266.2	215.6	50.6	23.5%
Change in Unbilled Deferred Revenue	6.5	8.1	(1.6)		0.2	(0.2)	0.4		0.0	(0.0)	0.0	6.7	7.8	(1.2)	
Total Contracts Signed	203.6	173.8	29.7	17.1%	62.9	43.4	19.5	45.0%	6.4	6.2	0.2	272.9	223.5	49.4	22.1%

Third Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY22	FY21	Change	%	FY22	FY21	Change	%	FY22	FY21	Change	FY22	FY21	Change	%
Deferred Subscription Revenue Balance	51.8	44.2	7.6	17.2%	16.8	11.1	5.6	50.6%	-	-	-	68.5	55.3	13.2	23.9%
Unbilled Deferred Revenue Balance	47.0	40.5	6.5	16.1%	0.9	0.8	0.2	21.0%	-	-	-	48.0	41.3	6.7	16.2%
Total	98.8	84.7	14.1	16.7%	17.7	11.9	5.8	48.6%	-	-	-	116.5	96.6	19.9	20.6%

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.

Sales Information

(in millions and unaudited)



	FY2018	FY2019	FY2020				FY2020	FY 2021				FY2021	FY 2022		
			Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3
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
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)
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
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
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
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)
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)
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
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
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
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)
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
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
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
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
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

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

Reconciliation of Net Income to Adjusted EBITDA

(in thousands and unaudited)



	Quarter Ended		Three Quarters Ended	
	May 31, 2022	May 31, 2021	May 31, 2022	May 31, 2021
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 7,162	\$ 12,754	\$ 12,852	\$ 11,816
Adjustments:				
Interest expense, net	384	509	1,226	1,577
Income tax provision (benefit)	(1,597)	(10,149)	933	(9,605)
Amortization	1,329	1,238	4,106	3,503
Depreciation	1,217	1,423	3,686	4,904
Stock-based compensation	2,369	2,370	5,987	5,127
Increase in the fair value of contingent consideration liabilities	12	118	60	164
Business acquisition costs	-	300	-	300
Government COVID assistance	-	-	-	(234)
Gain from insurance settlement	-	-	-	(150)
Adjusted EBITDA	<u>\$ 10,876</u>	<u>\$ 8,563</u>	<u>\$ 28,850</u>	<u>\$ 17,402</u>
Adjusted EBITDA margin	16.4%	14.6%	15.7%	11.2%

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

Additional Financial Information

(in thousands and unaudited)



	Quarter Ended		Three Quarters Ended	
	May 31, 2022	May 31, 2021	May 31, 2022	May 31, 2021
Sales by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 47,416	\$ 42,704	\$ 134,037	\$ 115,185
International licensees	2,610	2,395	8,196	7,421
	<u>50,026</u>	<u>45,099</u>	<u>142,233</u>	<u>122,606</u>
Education Division	14,439	11,899	37,202	27,874
Corporate and other	1,711	1,738	4,600	4,743
	<u>16,150</u>	<u>13,637</u>	<u>41,802</u>	<u>32,617</u>
Consolidated	\$ 66,176	\$ 58,736	\$ 184,035	\$ 155,223
Gross Profit by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 38,144	\$ 34,678	\$ 108,294	\$ 93,201
International licensees	2,340	2,069	7,344	6,454
	<u>40,484</u>	<u>36,747</u>	<u>115,638</u>	<u>99,655</u>
Education Division	9,790	8,179	24,749	17,510
Corporate and other	858	981	2,458	2,469
	<u>10,648</u>	<u>9,160</u>	<u>27,207</u>	<u>19,979</u>
Consolidated	\$ 51,132	\$ 45,907	\$ 142,845	\$ 119,634
Adjusted EBITDA by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 9,978	\$ 8,894	\$ 28,664	\$ 21,729
International licensees	1,303	821	4,418	3,608
	<u>11,281</u>	<u>9,715</u>	<u>33,082</u>	<u>25,337</u>
Education Division	1,887	1,132	1,798	(2,010)
Corporate and other	(2,292)	(2,284)	(6,030)	(5,925)
	<u>(405)</u>	<u>(1,152)</u>	<u>(4,232)</u>	<u>(7,935)</u>
Consolidated	\$ 10,876	\$ 8,563	\$ 28,850	\$ 17,402

Condensed Consolidated Balance Sheets

(in thousands and unaudited)



	May 31, 2022	August 31, 2021
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 52,068	\$ 47,417
Accounts receivable, less allowance for doubtful accounts of \$4,345 and \$4,643	50,430	70,680
Inventories	3,356	2,496
Prepaid expenses and other current assets	16,233	16,115
Total current assets	122,087	136,708
Property and equipment, net	9,591	11,525
Intangible assets, net	45,993	50,097
Goodwill	31,220	31,220
Deferred income tax assets	6,269	4,951
Other long-term assets	13,236	15,153
	\$ 228,396	\$ 249,654

	May 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	3,119	2,887
Accounts payable	8,067	6,948
Deferred subscription revenue	66,646	74,772
Other deferred revenue	16,646	11,117
Accrued liabilities	28,570	34,980
Total current liabilities	128,883	136,539
Notes payable, less current portion	8,490	12,975
Financing obligation, less current portion	8,794	11,161
Other liabilities	6,908	8,741
Deferred income tax liabilities	375	375
Total liabilities	153,450	169,791
Shareholders' equity:		
Common stock	1,353	1,353
Additional paid-in capital	217,862	214,888
Retained earnings	76,443	63,591
Accumulated other comprehensive income (loss)	(203)	709
Treasury stock at cost, 13,218 and 12,889 shares	(220,509)	(200,678)
Total shareholders' equity	74,946	79,863
	\$ 228,396	\$ 249,654

Condensed Consolidated Income Statements

(in thousands and unaudited)



	Quarter Ended		Three Quarters Ended	
	May 31, 2022	May 31, 2021	May 31, 2022	May 31, 2021
Net sales	\$ 66,176	\$ 58,736	\$ 184,035	\$ 155,223
Cost of sales	15,044	12,829	41,190	35,589
Gross profit	51,132	45,907	142,845	119,634
Selling, general, and administrative	42,637	40,132	120,042	107,439
Depreciation	1,217	1,423	3,686	4,904
Amortization	1,329	1,238	4,106	3,503
Income from operations	5,949	3,114	15,011	3,788
Interest expense, net	(384)	(509)	(1,226)	(1,577)
Income before income taxes	5,565	2,605	13,785	2,211
Income tax benefit (provision)	1,597	10,149	(933)	9,605
Net income	\$ 7,162	\$ 12,754	\$ 12,852	\$ 11,816
Net income per common share:				
Basic and diluted	\$ 0.51	\$ 0.90	\$ 0.90	\$ 0.84
Weighted average common shares:				
Basic	14,173	14,145	14,244	14,068
Diluted	14,175	14,156	14,273	14,133
Other data:				
Adjusted EBITDA ⁽¹⁾	\$ 10,876	\$ 8,563	\$ 28,850	\$ 17,402

(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.

Enterprise Division Financial Summary

(in millions and unaudited)



	<u>Q3 FY22</u>	<u>Q3 FY21</u>	<u>Chg</u>	<u>%</u>	<u>YTD Q3FY22</u>	<u>YTD Q3FY21</u>	<u>Chg</u>	<u>%</u>	<u>LTM Q3FY22</u>	<u>LTM Q3FY21</u>	<u>Chg</u>	<u>%</u>
Sales	\$ 50.0	\$ 45.1	\$ 4.9	10.9%	\$ 142.2	\$ 122.6	\$ 19.6	16.0%	\$ 188.3	\$ 156.9	\$ 31.4	20.0%
Cost of Sales	9.5	8.4	1.2	14.3%	26.6	23.0	3.6	15.9%	35.1	29.3	5.8	19.9%
Gross Profit	40.5	36.7	3.7	10.2%	115.6	99.7	16.0	16.0%	153.1	127.6	25.6	20.0%
Gross Profit %	80.9%	81.5%	(56)	bps	81.3%	81.3%	2	bps	81.3%	81.3%	2	bps
Operating SG&A	29.2	27.0	2.2	8.0%	82.6	74.3	8.2	11.1%	113.8	95.6	18.2	19.1%
Operating SG&A %	58.4%	59.9%	157	bps	58.0%	60.6%	257	bps	60.5%	61.0%	48	bps
Adjusted EBITDA	\$ 11.3	\$ 9.7	\$ 1.6	16.1%	\$ 33.1	\$ 25.3	\$ 7.7	30.6%	\$ 39.3	\$ 31.9	\$ 7.3	23.0%

Enterprise Division Financial Summary

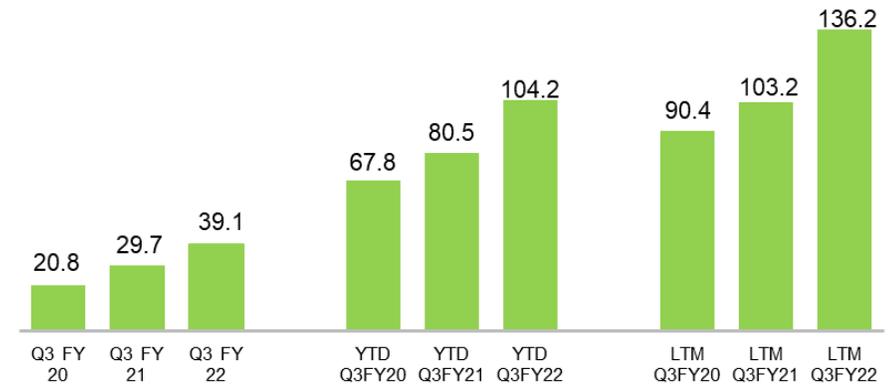
(in millions and unaudited)



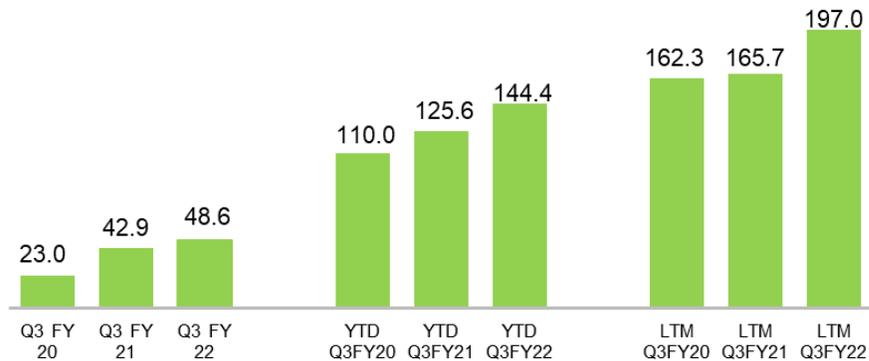
REVENUE



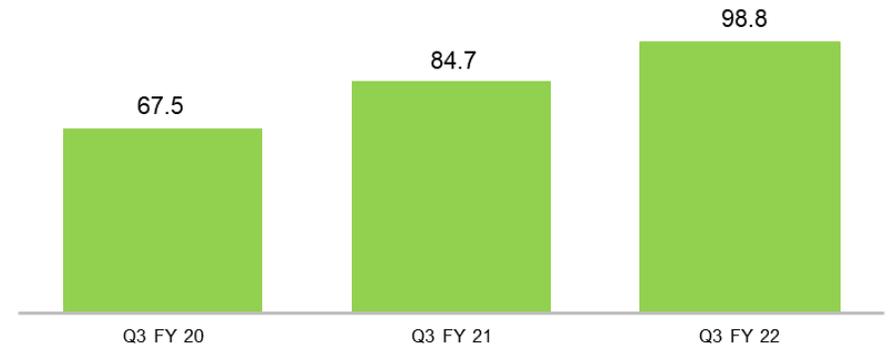
AAP AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED REVENUE



Enterprise Division AAP & Related Revenue

(in millions and unaudited)



	LTM Q3FY22	LTM Q3FY21	LTM Q3FY20
AAP Sales	\$84.1	\$69.8	\$61.1
AAP Add on Sales*	52.1	33.4	29.3
Total AAP and Related	136.2	103.2	90.4
Percent of AAP and Related Sales to Total Enterprise Sales	72%	66%	57%
Legacy Sales	33.4	37.3	49.9
International licensees	9.8	8.8	10.4
Other Sales	8.9	7.6	9.1
Total Enterprise Sales	\$188.3	\$156.9	\$159.7

	LTM Q3FY22	LTM Q3FY21	LTM Q3FY20
North America Sales	\$136.3	\$111.7	\$107.1
International Direct Office Sales	33.3	28.8	33.1
Other Sales	8.9	7.6	9.1
Total Direct Office Division Sales	178.4	148.0	149.3
International Licensees	9.8	8.8	10.4
Total Enterprise Sales	\$188.3	\$156.9	\$159.7

	Q3FY22	Q2FY22	Q1FY22	Q4FY21	Q3FY21
	\$22.4	\$20.9	\$20.5	\$20.3	\$19.2
	16.6	11.2	12.6	11.7	10.5
	39.1	32.0	33.1	32.0	29.7
	78%	73%	69%	70%	66%
	6.2	7.2	9.5	10.4	10.8
	2.6	2.6	3.0	1.6	2.4
	2.2	2.2	2.4	2.0	2.2
	\$50.0	\$44.1	\$48.1	\$46.0	\$45.1
	Q3FY22	Q2FY22	Q1FY22	Q4FY21	Q3FY21
	\$37.8	\$31.5	\$33.4	\$33.6	\$31.6
	\$7.4	\$7.8	\$9.3	\$8.7	\$8.8
	2.2	2.2	2.4	2.0	2.2
	47.4	41.5	45.1	44.4	42.6
	2.6	2.6	3.0	1.6	2.4
	\$50.0	\$44.1	\$48.1	\$46.0	\$45.1

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

Education Division Financial Summary

(in millions and unaudited)



	<u>Q3 FY22</u>	<u>Q3 FY21</u>	<u>Chg</u>	<u>%</u>	<u>YTD Q3FY22</u>	<u>YTD Q3FY21</u>	<u>Chg</u>	<u>%</u>	<u>LTM Q3FY22</u>	<u>LTM Q3FY21</u>	<u>Chg</u>	<u>%</u>
Sales	\$ 14.4	\$ 11.9	\$ 2.5	21.3%	\$ 37.2	\$ 27.9	\$ 9.3	33.5%	\$ 58.2	\$ 41.1	\$ 17.1	41.7%
Cost of Sales	4.6	3.7	0.9	25.0%	12.5	10.4	2.1	20.2%	18.2	14.3	3.9	27.3%
Gross Profit	9.8	8.2	1.6	19.7%	24.7	17.5	7.2	41.3%	40.0	26.8	13.2	49.4%
Gross Profit %	67.8%	68.7%	(93)	bps	66.5%	62.8%	371	bps	68.7%	65.2%	353	bps
Operating SG&A	7.9	7.0	0.9	12.2%	23.0	19.5	3.4	17.6%	31.4	25.2	6.2	24.7%
Operating SG&A %	54.7%	59.2%	448	bps	61.7%	70.0%	832	bps	53.9%	61.3%	735	bps
Adjusted EBITDA	\$ 1.9	\$ 1.1	\$ 0.8	66.6%	\$ 1.8	(\$2.0)	\$ 3.8	-189.6%	\$ 8.6	\$ 1.6	\$ 7.0	435.1%

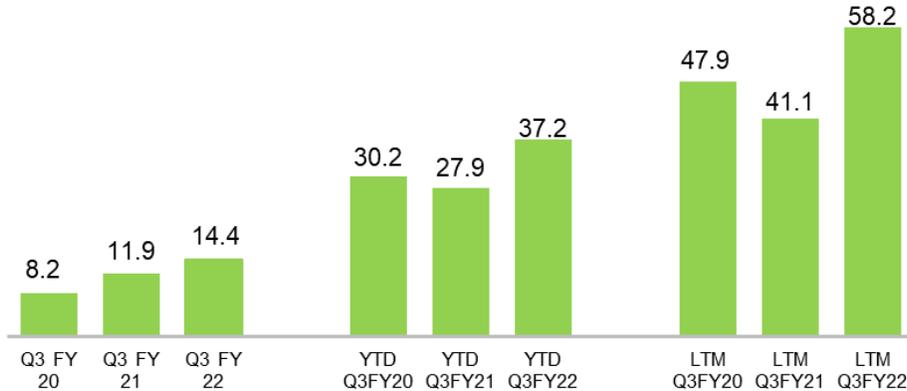
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

Education Division Financial Summary

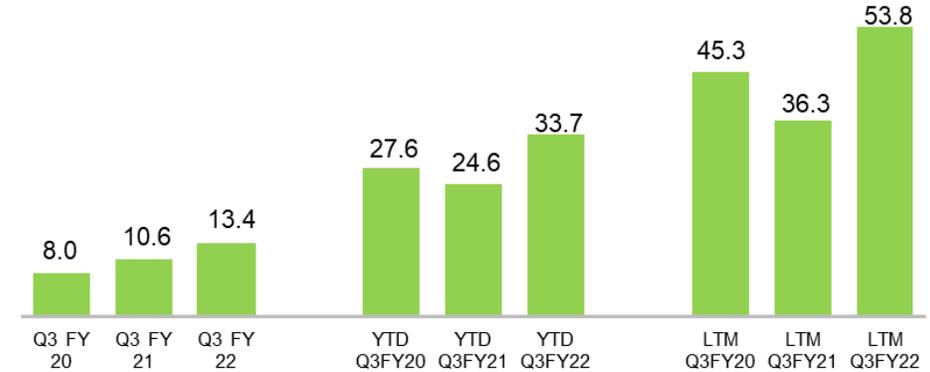
(in millions and unaudited)



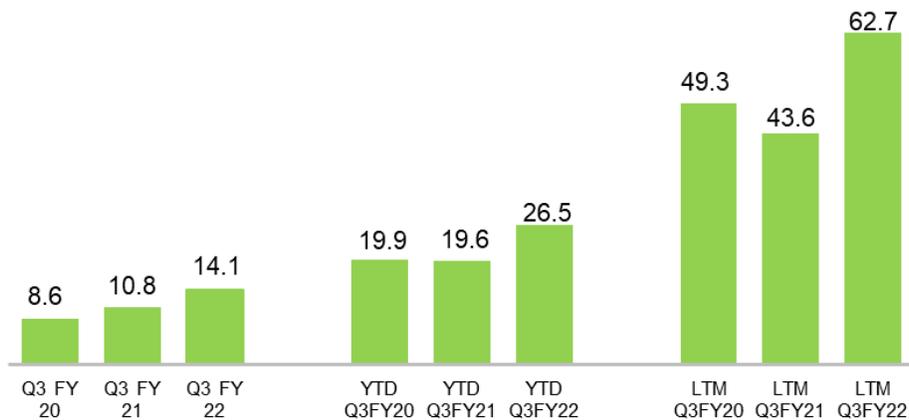
REVENUE



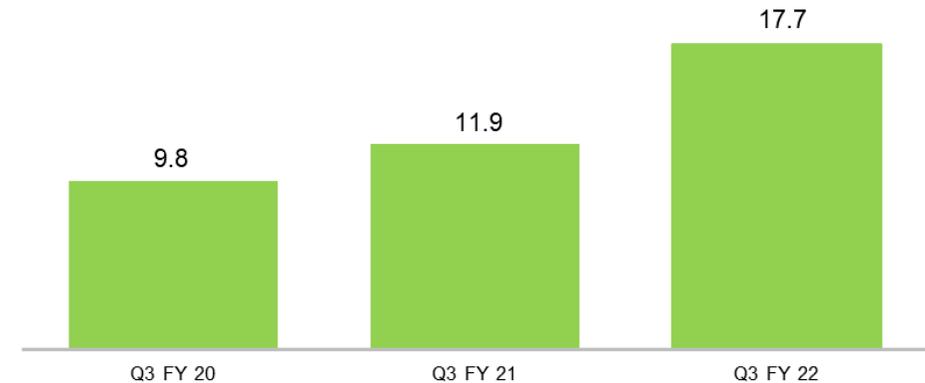
EDUCATION SUBSCRIPTION PLUS SUBSCRIPTION SERVICES



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.
- “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 for 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.
- 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).

Leena Rinne
VP, Consulting Strategy & Operations



Thank You