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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Third Quarter 2023 Franklin Covey Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Derek Hatch, Corporate Controller. Please go ahead.

Derek Hatch *Franklin Covey Co. - Corporate Controller of Central Services - Finance*

Thank you, Victor. Good afternoon, everyone. On behalf of Franklin Covey, I would like to welcome you to our third quarter fiscal 2023 earnings call. Before we begin this afternoon, I would like to remind everyone that 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 grow revenues, the acceptance of, and renewal rates for our subscription offerings, including the All Access Pass and Leader in Me memberships.

The ability of the company to hire productive sales and other client-facing 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 product, 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 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 upon 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.

With that out of the way, we'd like to turn the time over to Mr. Paul Walker, our Chief Executive Officer. Paul?

Paul S. Walker *Franklin Covey Co. - President & CEO*

Thank you, Derek. Hello, everyone. Thanks for joining us. We're glad to have the chance to talk to you today. Joining me on the call are Steve Young, our CFO; Jennifer Colosimo, President of our Enterprise division; Sean Covey, President of our Education division and other members of our executive team. We're also happy to have Bob Whitman, our Executive Chair and Chairman of the Board with us today.

I'd like to start out by expressing how pleased we are with the continued strength, durability and growth of the business and of our business model. This strength and durability are evident in our third quarter year-to-date and latest 12 months results. And we're pleased to reaffirm our fiscal '23 guidance that we expect to achieve adjusted EBITDA between \$47 million and \$49 million in constant currency.

I'd like to begin today by briefly sharing a few headlines from the quarter.

First, our revenue growth continued to be strong. As you can see, shown in Slide 4, since the conversion of our subscription business model in fiscal 2017, our subscription and subscription services sales have grown by more than \$150 million to \$222.2 million. We're pleased that driven by the continued strength of our subscription business, both our overall revenue growth and our subscription and subscription services revenue growth continued to be strong in the third quarter and for the year-to-date and latest 12-month periods.

For overall company revenue, as you can see on Slide 5, in the third quarter, total company revenue grew 8% or 9% in constant currency. We're \$5.3 million on top of the strong 13% growth achieved in last year's third quarter, a quarter which benefited from comping against the pandemic impacted third quarter in the prior year. For the year-to-date and latest 12-month period, revenue grew a strong 10% and 11%, respectively, or 12% year-to-date and 13% for the latest 12 months in constant currency. Growth of our subscription and subscription services revenue was even stronger, particularly considering the pandemic comp enhanced growth last year.

As shown on Slide 5, in the third quarter, our total subscription and subscription services revenue grew 9% or \$4.9 million on top of the strong 31% growth achieved in last year's third quarter. For the year-to-date and latest 12-month period, subscription and subscription services revenue grew a strong 15% and 17%, respectively.

I'd like to briefly provide additional context on our year-over-year revenue growth and its comparison to growth over the past several years. For total company revenue, as shown on Slide 6, for the latest 12-month period through fiscal 2022 third quarter, our total latest 12-month revenue growth was a very significant \$48.8 million. Again, as noted, the magnitude of this growth partially reflected benefiting from comping against the pandemic impacted periods in fiscal years 2020 and 2021. In comparison with that significant growth, our percentage revenue growth for the latest 12-month period through this year's third quarter was lower.

However, as you can see on an absolute dollar basis, the \$28.4 million of revenue growth we achieved in the latest 12-month period through this year's third quarter was very strong. In fact, as you can see, the \$28.4 million of growth in the latest 12-month period through this year's third quarter represents the second highest dollar amount of growth for any comparable period in any of the past 6 years. It was exceeded only by 2022's growth, which, as noted, benefited from a comparison against the pandemic period. And to normalize for last year's pandemic benefited comparison is also shown on Slide 6, our more than \$77.2 million growth on a rolling 2-year basis over the last 2 years, exceeded that of any other 2-year period since our business model conversion, both in terms of absolute dollars of growth and percent of growth.

Importantly, if we were to achieve the same strong \$28.4 million of revenue growth in the next 12 months that we did in the last 12 months, that level of growth would itself represent approximately 10% revenue growth in the coming year. From a year-over-year comparison standpoint, by the end of the first quarter this fall, we expect to lap the COVID influenced more difficult growth percentage comps and beginning in the second quarter of fiscal '24, comparisons will return to a more apples-to-apples basis. This same pattern has played out in our subscription and subscription services revenue.

As you can see shown on Slide 7, for the latest 12-month period through fiscal 2022's third quarter, our subscription and subscription services revenue grew by an extremely strong \$50.7 million, again benefiting from comping against pandemic impacted periods in fiscal '20 and '21. Again, in comparison with that very large growth, our percentage revenue growth for the latest 12-month period was lower.

However, on an absolute dollar basis, our \$32 million of subscription and subscription services revenue growth for the latest 12 months through this year's third quarter was very strong. Representing the second highest 12-month dollar growth amount over the past 6 years exceeded only by 2022's growth, which, as we've noted, benefited from its comparison to a pandemic-impacted period.

And again, to normalize for last year's pandemic benefited comparison on a rolling 2-year basis, our \$82.7 million of subscription and subscription services revenue growth for the last 2-year period far exceeded that of any other 2-year period since our business model conversion, both in terms of absolute dollars of growth and percent of growth.

The second thing I'd like to note is that the durability of our sales also continues to increase and the extent of our visibility into future

sales growth continues to expand. Since our conversion to our subscription business model in fiscal 2016, our balance of deferred subscription sales, both billed and unbilled, has grown consistently and rapidly.

As shown on Slide 8, our balances of deferred subscription sales billed and unbilled have grown from \$17.8 million in fiscal 2016 to \$140.9 million for the latest 12 months through this year's third quarter. And this strong growth in deferred subscription sales continued to grow strongly in the third quarter, increasing \$24.4 million or 21% to \$140.9 million, up from \$116.5 million in last year's third quarter.

Achieving this strong growth and our balance of deferred subscription sales in the third quarter provides an extremely strong foundation for our continued ability to achieve significant future sales growth as all of this deferred sales balance is recognized in the coming quarters and years.

Adding another dimension to the increasing durability of our revenue is that at the same time, our deferred subscription sales balances are increasing. The average duration of our subscription contracts is also increasing. As a result of the significantly increasing percentage of our All Access Pass contract value, which is represented by multiyear contracts of at least 2 years.

As also shown on Slide 8, for the latest 12 months through this year's third quarter, in our North American enterprise operations, the percent of our total All Access Pass contracts represented by multiyear contracts of at least 2 years, increased to 52%, up from 42% at the end of the third quarter last year. And the percentage of contract amounts we have invoiced represented by those multiyear contracts of at least 2 years, increased to 57%, up from 51% at the end of the third quarter fiscal 2022.

The third point I'd like to make is that our gross margin and operating SG&A as a percent of sales remain extremely attractive. As shown on Slide 9, our gross margin percent has increased steadily over the years, improving from 67.6% in fiscal '16 to 75.8% for the latest 12 months through this year's third quarter. As also shown on Slide 9, our gross margin percent in the third quarter was a strong 75.9% and was 76.1% year-to-date and 75.8% for the latest 12 months.

We're also pleased that operating SG&A as a percent of sales in the third quarter improved a further 157 basis points to 59.3% compared to 60.8% in last year's third quarter. And that for the year-to-date and latest 12-month periods, operating SG&A as a percent of sales improved 140 basis points to 60.5% and 211 basis points to 59.8%, respectively.

Fourth, adjusted EBITDA growth continued to be strong. The combination of strong revenue growth, significant gross margins and declining operating SG&A as a percent of sales has increased -- has resulted in significant increases in adjusted EBITDA.

As shown on Slide 10, since the beginning of the pandemic's impact in 2020, adjusted EBITDA has increased more than \$30 million from \$14.3 million in fiscal 2020 to \$44.9 million for the latest 12-month period, reflecting a 37% flow-through of the \$83 million increase in sales during that same period. We're pleased that this robust growth in adjusted EBITDA continued in the third quarter, increasing to a higher-than-expected \$11.9 million compared to the \$10.9 million in last year's third quarter.

In constant currency, adjusted EBITDA in the third quarter was \$12.3 million. Year-to-date through the third quarter, adjusted EBITDA increased \$2.7 million or 9% to \$31.6 million or \$32.9 million in constant currency. And for the latest 12-month period, adjusted EBITDA increased 14% to \$44.9 million, representing flow-through of 19%.

Building on this strength, and as I mentioned previously, we're pleased to reaffirm our fiscal '23 guidance that we expect to achieve adjusted EBITDA between \$47 million and \$49 million in constant currency. We then expect adjusted EBITDA in constant currency to increase to approximately \$57 million in fiscal '24 into approximately \$67 million in fiscal '25 and then to continue to increase aggressively each year thereafter.

Finally, as it relates to the purchase of stock, during the third quarter, after continuing to make growth investments in the business, we invested \$25 million to purchase 664,000 shares. Over the past 5 quarters, we've invested \$50 million to purchase a total of 1.26 million shares or a significant 8.8% of the company's total shares that were outstanding at the beginning of the 5-quarter period. We're pleased to have -- have been able to purchase such a significant amount of stock at what we view as a compelling value.

The ongoing strength of these outcomes reflects the power of our continued focus on 3 fundamental priorities: first, being our clients' partner of choice for addressing the challenges that really matter to them; second, accomplishing that first priority with a strong and profitable business model; and third, reinvesting these profits and cash flow at high rates of return to create even more value for shareholders.

As shown on Slide 11, our first priority being our clients' partner of choice for addressing the challenges that really matter to them translates into high client and revenue retention, strong growth in revenue and an increasingly large and growing lifetime customer value.

Our second priority accomplishing the first priority with a strong and profitable business model results in a significant portion of our revenue growth flowing through the increases in adjusted EBITDA and cash flow. Importantly, this means that shareholders can earn significant cash-on-cash returns on their investment. At the same time, they see the value of their investment continue to grow.

And our third priority reinvesting these profits and cash flow at high rates of return to create even more value, translates into the creation of substantial additional account compounding shareholder value. Shareholders benefit from both the expected continued increase in the value of the company and the prospect of owning an increasing share of it.

I'd like to briefly report on our strong progress in each of these 3 priorities in our third quarter year-to-date and for the latest 12 months.

To accomplish our first priority, that of being our clients' partner of choice in addressing the challenges that really matter to them, we've organized the entire company around being the partner of choice for our clients in helping them address their mission-critical opportunities and challenges. We want to be so effective at doing this that they become clients for life. This loyalty in turn, translates into high durability of our revenue and significant growth in the lifetime value of our customers. This is reflected in the following outcomes, as you can see shown in Slide 12. Consistently winning new logos or clients, having subscription and subscription services sales continue to increase as a percent of total company sales, retaining substantially all of our subscription revenue, increasing our average subscription contract size, increasing the percent of logos and multiyear contracts, continuing to have clients purchase a considerable amount of services to help them achieve their performance breakthroughs, and achieving a high and growing lifetime customer value.

We're pleased, as you can see on Slide 13 that each of these key outcomes remain strong in the third quarter and has for the year-to-date and for the latest 12-month. In fact, Slide 14, as you can see, provides additional information on some of these outcomes. As shown, subscription and subscription services sales for the latest 12-month now account for 79% of total company sales. Average subscription and subscription revenue -- subscription services revenue has increased from approximately \$20,000 when we launched AAP to \$77,000 for the end of fiscal '22.

As noted a moment ago, the percentage of clients who are now on a multiyear contract continues to increase and the percent of the dollar amount of contracts we invoiced represented by those multiyear contracts continues to increase. And finally, our clients continue to purchase considerable amounts of services, services which are an important part of our solution and a unique point of strategic differentiation.

Just a brief report on our second priority, which is to accomplish Priority 1 with a strong and profitable business model. In doing so such that a significant percent of our sales growth flows through to increases in adjusted EBITDA and cash flow. As shown on Slide 15, the strength of our business model is reflected in the following outcomes: first, continuing to achieve strong gross margins; second, having a cost of acquiring a customer that is less than the sales generated even in the first year of a subscription contract; third, having operating SG&A decrease as a percent of sales even as we grow, and finally, continuing to grow our adjusted EBITDA, which has significant increase to free cash flow.

As you can see on Slide 16, we're pleased that these outcomes also, we made strong progress in each of these areas in the third quarter. As shown on Slide 17, these specific outcomes are as follows: gross margin remains very strong even after absorbing education division, symposium expenses and increased travel related to on-site delivery. Operating SG&A as a percent of revenue continues to decline, and

we're achieving strong flow-through of incremental revenue to growth in adjusted EBITDA due to our relatively fixed cost structure and high gross margin and contribution levels. And finally, a brief report on our third priority to reinvest these profits and cash flow at high rates of return to create even more value.

As shown on Slide 18, successfully achieving this priority is reflected in the following outcomes: investing capital in the business at high rates of return and returning substantial amounts of excess cash to shareholders in the form of stock buybacks.

As shown on Slide 19, we're pleased that our investments have met each of these key outcomes over time. And as shown on Slide 20, during the third quarter, as I mentioned, we returned more than \$25 million to shareholders by purchasing 664,000 shares. And over the last 5 quarters, we've invested \$50 million to repurchase approximately 1.26 million shares or 8.8% of the company's total shares.

Steadily advancing each of these priorities is placing us in a special category of companies. A company that consistently and simultaneously seeks to strengthen and expand our strategic moat in the most important and lucrative space in our chosen markets. Generate high rates of growth in adjusted EBITDA and cash flow, and third, a company that generates outsized cash on cash and long-term returns for shareholders by investing that cash to create additional value.

Consistent with this, as I said, we're pleased to reaffirm our guidance that we expect to achieve adjusted EBITDA between \$47 million and \$49 million in constant currency for fiscal 2023. We're pleased that for the latest 12 months through the third quarter, our adjusted EBITDA is already close to the low end of that range. And as we'll discuss in a minute, we expect further growth in adjusted EBITDA in the fourth quarter.

We then expect adjusted EBITDA in constant currency to increase to approximately \$57 million in fiscal '24 and to approximately \$67 million in fiscal '25 and then to continue to increase meaningfully each year thereafter.

I'd now like to turn some time to Steve to discuss our results in quarter, for the quarter and year-to-date in a little more detail. Steve?

Stephen D. Young *Franklin Covey Co. - CFO & Corporate Secretary*

Thank you, Paul. Good afternoon, everyone. It's a pleasure to be with you today. I'd like to briefly provide more detail on the factors underlying this strong performance, focusing on the results in 3 key areas of our company. Specifically, our enterprise business in North America, the enterprise business internationally in both our direct offices and international licensee partner operations and our education business, which is primarily in North America.

As shown in Slide 21, results in our enterprise business in North America continued to be strong in the third quarter year-to-date and latest 12-month. Reported sales in North America, which account for 73% of total Enterprise Division sales grew 3% in the third quarter on top of 20% growth in last year's record third quarter. 9% year-to-date and 11% in the latest 12 months. We are pleased with the 23% growth we've achieved in enterprise business in North America over the past 2 years. The first year of which, as Paul noted, has benefited from comping to the prior year COVID impacted result. As noted, we expect the beginning in Q2 of FY '24, our year-over-year comparisons will return to be an apples-to-apples basis.

Subscription and subscription services sales in North America grew 3% for the quarter on top of 29% growth in last year's third quarter. Subscription and subscription services sales increased 9% year-to-date and 12% for the latest 12 months. We are pleased with the growth rates we've achieved in the enterprise business in North America, particularly in light of the fact this growth is comping over pandemic-impacted orders.

Our balance of deferred sales billed and unbilled in North America grew 19% compared to last year's third quarter balance, establishing a strong base for next year's growth. And the percent of North America's All Access Pass invoiced sales represented by multiyear contracts as mentioned, increased from 57% for the latest 12 months ended this year, up from 51% for the latest 12 months last year. And the percentage of contracts that were for multiyear periods increased to 52% from 42% in the latest 12 months last year.

As shown in Slide 22, revenue in our international operations, which accounts for approximately 17% of our total Enterprise Division

revenue increased \$1.7 million or 23% in the quarter primarily driven by improved results in China. As also shown in Slide 22, our international licensee partner sales increased 9% in the third quarter, 10% year-to-date and 16% in the latest 12 months. We're pleased with these results, particularly considering the adverse impact of FX and a challenging geopolitical environment.

Finally, the results in our Education Division, which accounts for approximately 24% of total company sales continued to be strong in the third quarter year-to-date and latest 12 months.

As shown in Slide 23, education sales grew 18% or \$2.6 million in the third quarter, 23% year-to-date and 21% in the latest 12 months. Education subscription and subscription services sales growth was strong, increasing 19% in the third quarter, 24% year-to-date and 22% in the latest 12 months.

Education's balance of deferred subscription sales billed and unbilled increased 15% in the third quarter and year-over-year retention of Leader in Me schools remain extremely high at approximately 90% for the latest 12 months.

Now cash flows from operating activities, as shown on Slide 24, our cash flows from operating activities was \$25.9 million at the end of the third quarter. This is consistent with our expectation that cash flows would strengthen in the back half of this fiscal year.

Finally, even after investing more than \$50 million of excess liquidity for stock purchases in the last 5 quarters, as mentioned, including the \$25 million stock purchase we did in this quarter, we ended the quarter with more than \$100 million in liquidity, including \$39.3 million in cash with the full \$62.5 million revolving credit agreement undrawn.

So now going on to guidance. As Paul noted -- previously said and as shown in Slide 25, we are pleased to reaffirm again that our guidance is we expect to achieve adjusted EBITDA of between \$47 million and \$49 million in constant currency for FY '23. As noted for the latest 12-month period through the third quarter, our adjusted EBITDA is already very close to the low end of that range. We expect further growth in adjusted EBITDA, of course, in the fourth quarter.

As we do each year, we expect to provide formal FY '24 guidance when we report year-end results. However, our projected outlook is that we expected adjusted EBITDA in constant currency to increase to approximately \$57 million in FY '24 and to approximately \$67 million in FY '25 and then continue to increase each year. Because of a significant percentage of the companies growth in revenue flows through to adjusted EBITDA, achieving these future adjusted EBITDA targets, only requires revenue growth in the high single-digit to low double-digit ranges. However, our multiyear revenue outlook is to move from high single-digit growth to low double digits and into low teens in coming years.

As noted earlier, the company's latest 12-month revenue growth of 11% was on top of 17% growth in FY '22 that, of course, benefited from a comping against '21 pandemic impacted numbers. Consistent with this guidance, note in our third quarter year-to-date adjusted EBITDA after the constant currency adjustment of \$1.3 million is \$32.9 million. We expect adjusted EBITDA in the fourth quarter to be between \$14.1 million and \$16.1 million in constant currency. We feel good about achieving this result.

As to revenue, consistent with last quarter's update, we expect revenue for the year to be approximately \$284 million, reflecting approximately \$81.4 million of revenue for the fourth quarter. We have confidence in these targets despite the possibility of dramatic changes in the world geopolitical environment, the economy and other factors could impact our expectations. So Paul, back to you.

Paul S. Walker Franklin Covey Co. - President & CEO

Thank you, Steve. Appreciate that. We're now ready to begin the transition to the Q&A portion of the call. And as we do, I'd like to begin by addressing 3 questions. Some of you have previously indicated you have an interest in. First, some have asked how potential uncertainty in the current economic environment is impacting or how it may impact the durability of our subscription business.

I thought I'd provide you a little bit of color about what we're seeing right now across our Enterprise All Access Pass business, and I'll make just, maybe 4 quick points here.

First, as you know, we've chosen to organize the entire company around the most important must-win challenges and opportunities our clients face. Therefore, one aspect of durability is solution durability. Our solutions to these must-win challenges and opportunities are viewed as best-in-class at driving collective action and behavior change, and these challenges and opportunities continue regardless of the external environment.

Second, as we reported, we continue to be pleased with our growth in a number of new logos, growth, which shows clients continued desire and need to invest -- to address their top challenges and opportunities. Year-over-year revenue from new logos has grown in each of the first 3 quarters this fiscal year.

Third, an increasing and sizable portion of our clients recognize that they benefit from a long-term partnership with Franklin Covey. After considerable focus and effort over the past few years, we've grown the percentage of clients in U.S. and Canada who are on one of these multiyear contracts from 0 to, as we've said, 52% at the end of the third quarter, and of course, the associated revenue is 57% of our subscription revenue. And this growing base of multiyear clients creates tremendous durability and future visibility and predictability of revenue.

Interesting point, not only is the annual revenue retention from these multiyear contracts, at least 100% during the term of their contract at the conclusion of their multiyear contract term, the beginning of a next contract period, our already high revenue retention percent is even higher with these multiyear contract clients. In fact, it's 50% higher than that of their single year term peers on an already high base.

Finally, last quarter, we reported that while the vast majority of our large and growing subscription business was unaffected by the macro environment, those few clients who were combined with the high comp over the prior year's elevated growth percentage partially due to the COVID impact of the previous year. That did have some impact in the quarter on revenue retention and overall All Access Pass growth rates.

We're pleased to report that our revenue retention percentage strengthened meaningfully in the third quarter compared to the second, and we're expecting the fourth quarter to be even stronger returning to roughly the same strong quarterly retention levels we achieved throughout last fiscal year and in the first quarter of fiscal '23. We continue to feel incredibly good and have a high level of confidence about the durability of our All Access Pass subscription business.

If I could, maybe a second question that's come up from time to time is related to how we're thinking about the growth of our sales force. Specifically, the key client-facing revenue-generating roles of client partner, implementation strategist and Leader in Me coach. As we reported last quarter from the end of fiscal 2012 through the end of fiscal '22, we've grown our number of client partners by 250% from 120 to 300. Additionally, since the launch of our subscription business in fiscal 2016, we've created and grown 2 additional key client-facing account roles, implementation strategists in our Enterprise Division and a Leader in Me coaches in our Education Division from 0 to approximately 150 people.

Today, the professionals in these 3 roles represent far and away the largest client-facing organization in our company's history and a team that is among the largest in our industry. Each of these roles is critical to driving new client subscriptions, retention expansion and the sale of subscription services. As we prioritize the successful development and ramp of each of these associates, we expect to end fiscal '23 with approximately 450 client-facing professionals and then anticipate that we will hire roughly 40 net new professionals across these 3 client-facing roles in fiscal '24.

Additionally and importantly, the ultimate revenue potential and expectation for a new client partners growth beyond his or her initial ramp-up is increasing significantly. Prior to the launch of our subscription business, we did not have a contractual and consistent recurring revenue model. As a result, once the client partner reached their top and ramp-up goal of achieving \$1.3 million in annual sales, it was more difficult for them to consistently achieve revenue growth above that \$1.3 million fully ramped level. And because they had to replace a lot of revenue each year, when they did grow above the \$1.3 million level. In the aggregate, these fully ramped client partners tended to grow their revenue by only 2% or 3% each year.

Today, nearly 8 years into our conversion to subscription, our data and experience demonstrates that the average client partner once ramped to \$1.3 million will continue to grow their revenue by approximately 10% for at least the next 5 years. This significantly increased growth rate for fully ramped client partners is made possible by a combination of important factors, including our high levels of client and revenue retention, the fact that more than 50% of our clients are in a multiyear contract, the significant headroom we have for expansion within nearly every one of our clients, the addition of implementation strategist and Leader in Me coach roles and our increasing sales enablement and sales management capabilities.

The combination of these factors gives us tremendous confidence to continue expanding each of these key client-facing account roles and it gives us confidence in our ability to generate significant future revenue growth.

And a third question before we open to your questions today, is what led us to decide to invest \$50 million to purchase more than 8% of the company's outstanding shares over the past 5 quarters, while continuing to make significant growth investments in the business. Sometimes we're asked to share how we approach the decision to purchase shares. I'd like to briefly share our framework.

First, we work to ensure that we're making all the high-return internal investments in content, technology, sales force expansion and client-facing team expansion necessary to meet our growth objectives and expand our strategic moat. Second, we want to ensure that we always have the liquidity available to quickly complete small tuck-in acquisitions, which can further strengthen our strategic moat such as we did with Jhana, Robert Gregory and Strive. Third, we want to always maintain additional significant liquidity to provide plenty of cushion to be able to accelerate expansion when opportunities arise and to provide a margin of safety.

As Steve mentioned earlier, even after continuing to make significant ongoing investments in technology, content and sales force and client-facing team expansion, and utilizing \$50 million of excess liquidity to purchase shares over the past 5 quarters, we're pleased to currently still have more than \$100 million of liquidity.

Fourth, the determination to utilize \$50 million of excess cash to purchase shares has been an easy one over the past 5 quarters and is really pretty straightforward. It's because we have an extremely strong conviction that at current values our stock has and continues to trade at very significant -- at very significant discount to its true value.

We believe that returning capital to shareholders in the form of stock purchases offers a great way to increase shareholder value, both because of the high expected rate of return on the investment and because of the increased share of the company they own. Specifically, as it relates to the ability to create shareholder value by repurchasing shares, our analysis is that the price at which we've been purchasing shares reflects an extremely deep discount to what we believe is the true value.

First and foremost, we believe that we've been purchasing shares at an extremely deep discount to the net present value of our expected future cash flows. The partial map of which we've shared with you by letting you know that we expect to achieve adjusted EBITDA of between \$47 million to \$49 million and then \$57 million and \$67 million in constant currency in the coming 2 years.

Second, we believe the multiple adjusted EBITDA reflected by the total enterprise value at which we are currently trading also represents a very significant discount to the multiple appropriate to the rate of growth in adjusted EBITDA and cash flow we have achieved and expect to achieve in the future.

Third, given the significant levels of adjusted EBITDA and cash flow being achieved, at current values, we can earn a remarkably high cash-on-cash return on our investment, a cash-on-cash return approaching 10% and still retain all the upside.

Fourth, whereas the discounted net present value valuations of many companies has continued to depend heavily on the expectation of an expansion in market multiples and/or a high terminal value, we believe that at our current share price, more than half of our total enterprise value is reflected in just the combination of the current cash we already have on the balance sheet, and the more than \$150 million of additional cash flow we expect to generate over the next few years. We find buying stock at a discount to be attractive.

I hope beginning the Q&A session with posing these 3 questions and answering them has been helpful. We'd now like to ask Victor if he'd

open the lines for any additional questions that you have today.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question will come from the line of Jeff Martin from ROTH.

Jeffrey Michael Martin ROTH MKM Partners, LLC, Research Division - Co-Director of Research & Senior Research Analyst

Paul, could you expand a little bit more on the revenue retention impact that you saw in Q2? What may be was more client-specific than market related? And then what leads your conviction for significant improvement in Q4?

Paul S. Walker Franklin Covey Co. - President & CEO

Yes. Great question. So as we reported in the second -- at the end of the second quarter, there were a handful of clients who -- we use the metaphor, if you recall, deeper snow, but there were a handful of clients who were themselves not unaffected by some of the uncertainty in the environment. And while our -- the percentage of clients we retain in any given quarter remain roughly the same, this handful of clients, some of whom are -- some are a few larger clients who either didn't renew or downgrade the size of their past drag on our -- provided a drag on our revenue retention. We talked a bit about that last quarter.

That -- the degree to which that occurred in the second quarter, while there was some of that third quarter far less. We had it was a much better revenue retention quarter in the third quarter. And just what we're seeing in our pipelines, the conversations we're having with our customers. As you know, we have a quarterly business review with every one of our subscribing clients where we sit down with them and we actually begin the renewal discussions far in advance of that final quarterly QBR. And so in those discussions, the pipelines we're seeing, we're seeing the -- what I think was a bit of a bottoming out there in Q2 and a return to normal, much more normalized retention rates in Q4 and as we move into next year.

Jeffrey Michael Martin ROTH MKM Partners, LLC, Research Division - Co-Director of Research & Senior Research Analyst

Great. That's helpful. And then I wanted to kind of bridge the gap between, let's take North American Enterprise Division, for example, the gap between the subscription and subscription services revenue growing at 3% in the quarter, 9% year-to-date relative to high teens to low 20s percent growth in deferred revenue. Are clients just pushing out some of the projects. Are they taking a pause? Is there anything underlying that dynamic?

Paul S. Walker Franklin Covey Co. - President & CEO

It's a good question. Part of the comparison there on a percentage basis, as we've noted a few times here in today's remarks that the 3% this year is comping over very, very significant growth percentage last year. And so what we're -- frankly, what we're seeing is if we normalize for that and just looked over a couple of years, we're quite pleased with where the level and the size of that subscription related services business at this point, if we had to go back a couple of years and pick where we thought that would be and what would be an exciting number, we're about in that same spot. It just came in with a really big first year of growth because of the comping over the pandemic. And then this year is a lower growth percentage.

To your specific question, we're not -- I mean we're not seeing a lot in clients pushing things out. We're actually quite pleased with the number of clients who even in the environment are signing multiyear contract at a meaningful jump this year year-over-year in the percentage of revenue that's now multiyear and in the percent of clients, didn't know if we'd ever get above 50% back in the day, I thought we might be to about 1/3 of our contracts being multiyear now we are more than half. And I think it speaks to clients recognizing that the types of challenges that they need and want to address aren't solved in a quarter or even a year. They view this as a long-term partnership with us. And I think we're seeing that show up and being reflected in the numbers.

Jeffrey Michael Martin ROTH MKM Partners, LLC, Research Division - Co-Director of Research & Senior Research Analyst

Great. And last one for me is update on the impact platform, what's the uptake rate? What kind of response are you getting? Do you see that being a longer-term driver of revenue growth acceleration?

Paul S. Walker Franklin Covey Co. - President & CEO

Yes. Jennifer Colosimo, President of Enterprise Division is on. Jen, do you want to take that one?

Jennifer C. Colosimo Franklin Covey Co. - President of Enterprise Division

Of course. Thanks for the question, Jeff. We are seeing a tremendous impact from the impact platform. The vast majority of our English-speaking clients are on that platform. We now have our primary languages launched in an early fall and winter, we'll have our secondary languages, getting us roughly to 24 languages that will be launched in -- what we're finding from clients is, as we talk about collective behavior change at scale, the platform makes it so much easier to deploy and scale and get real behavior change. So where I think our better technology story is also driving new logos, some of the multiyears, great use cases continuing to see the impact of that as it rolls out around the world.

Operator

Our next question is of the line of Nehal Chokshi from Northland Capital.

Nehal Sushil Chokshi Northland Capital Markets, Research Division - MD & Senior Research Analyst

Congrats on the great quarter. So I think you guys would agree that invoice value and that year-over-year growth is an excellent in-quarter metric. And that definitely improved on a year-over-year basis. Looking forward, what kind of invoice growth would you need in order to maintain confidence in that initial fiscal year '24 EBITDA perspective.

Paul S. Walker Franklin Covey Co. - President & CEO

Yes. And so it's a great question. First, we mentioned to achieve our -- the reason we're quite confident in maintaining our outlook targets of fiscal '24, \$57 million of adjusted EBITDA and then fiscal '25, \$67 million is that the total company revenue growth level, reported revenue growth level, we need that high single digits, low double digits, call it, 10% is what we would need to achieve those targets. We feel very good about that.

In fact, as I mentioned a minute ago, the \$28-or-so million, \$28.7 million of growth we've achieved in the last 12 months. If we did that same thing again in the next 12 months, that would be roughly 10% growth.

Your question, at a company level, your question around invoiced subscription sales need to be a little bit ahead of that, right, as those invoice sales eventually convert into reported sales. And so growing a little bit ahead of that is what we would need to see, and we're feeling good and confident enough in that to put out those and reaffirm those EBITDA targets for the next 2 years.

Nehal Sushil Chokshi Northland Capital Markets, Research Division - MD & Senior Research Analyst

Okay. And so just to be clear, for the first 3 quarters, your invoice value on an overall basis, I think, is up mid-single digits now for the first 3 quarters. So sounds like you do need to be in the high single digits to low double digits in order for you guys to achieve your fiscal '24 and fiscal '25 objectives. And so and you've talked about expectations of a strong fiscal fourth quarter. So that sounds like you are expecting your invoice levels on a year-over-year basis to accelerate as well in fiscal (inaudible). Is that correct?

Paul S. Walker Franklin Covey Co. - President & CEO

Yes. We are. Yes. We are expecting them to accelerate in the fourth quarter and then through the first -- meaningfully through the first part of next year, absolutely.

Nehal Sushil Chokshi Northland Capital Markets, Research Division - MD & Senior Research Analyst

Got it. And what has given you that confidence that will indeed accelerate? Because it doesn't look like you're coming into a materially easy comp into the fourth quarter here.

Paul S. Walker Franklin Covey Co. - President & CEO

Yes, it was not a meaningfully -- materially meaningfully easier comp in the fourth quarter, that flips, as we said, at the beginning of Q2 next year, so towards the end of the fall here. But what's giving us confidence in the growth is, one, we are -- we do see the revenue retention rates coming back nicely after the dip in Q2 and a little bit in Q3 here. So that's a big driver. That's the biggest number we have

to influence, right, is that revenue retention number, and we're seeing that strengthen.

Second, as we've reported, we've been -- we've sold more new logos this year in the first 3 quarters of the year than we did a year ago, and we expect that's going to continue. And those -- and both the sales of new logos is higher and the average revenue per new logo continues to tick up as well. So that increases the base that we have to renew and the base of subscription to which we have to attach services.

I think the third is we've hired a lot of client partners. While this year, we'll end the year about where we -- on the client partner front about where we ended last year at 300, that -- remember that we added over the prior 3 years or so significant number of client partners who are ramping and becoming more core and more effective. At the same time, we're seeing client partners who are already ramped their ability to go far beyond what we thought was possible is increasing.

And so I think the combination of those factors is giving us confidence that there's -- while there's been a bit of a slowing in the year-over-year subscription growth, again, partially related to the amount of growth we had last year and comping over that, that will -- the subscription business will grow enough to throw off the amount of revenue growth we needed at the total company level for us to be able to hit the EBITDA targets we put out there.

Nehal Sushil Chokshi Northland Capital Markets, Research Division - MD & Senior Research Analyst

Okay. Great. And then, Paul, you mentioned much that I'm not sure I quite understand, but I think you said that for the customers that are entering into a multiyear contract, at renewal, you're seeing 50% higher value renewal. Can you just repeat where it is that you said there?

Paul S. Walker Franklin Covey Co. - President & CEO

Yes. So it's interesting doing an analysis -- so the question is how much better our multiyear contracts and single year contracts. And of course, we're happy to have all contracts, single or multiyear. But we're really happy to have multiyear. And one of the things we've watched is what happens to a client at the end of their initial multiyear term, whether it's 2 years, 3 years, 4 years, what do they do? Do they -- do they feel like they're done and they don't renew at all, do they renew and renew for just the same value as they had in place, do they renew and expand. And the analysis shows -- is showing that those clients who, at the conclusion about multiyear contract, whether it's 2 years, 3 years, 4 years or more, when they do renew, the value of that next contract is 50% larger than the value of the contract that they were coming out of was.

Nehal Sushil Chokshi Northland Capital Markets, Research Division - MD & Senior Research Analyst

Just to be clear, is that a total contract value or annual contract value that's higher (inaudible)?

Paul S. Walker Franklin Covey Co. - President & CEO

Annual.

Nehal Sushil Chokshi Northland Capital Markets, Research Division - MD & Senior Research Analyst

Wow. So effectively, that's -- if it's on average, a 3-year contract, and you're seeing a 50% uplift 3 years later. That's effectively like (inaudible) revenue retention rate.

Paul S. Walker Franklin Covey Co. - President & CEO

Nehal, it's not 50% greater than their contract. They were at 50% greater than their single year contract peers. So the analysis is single year contract clients versus multiyear contract clients, how much more valuable are they and what happens to them relative -- the point is not on that specific client. It's the value of multiyear versus single year why we're pushing so hard to get multiyear because they are -- not only is that revenue guaranteed during the term of the multiyear contract, they are 50% more likely upon renewal to expand. They're not expanding by 50%. One day, we hope that will happen. We love to -- we're doing everything we can to make sure that our customer engagement models and customer success teams are treating them, those clients in a way that, that could be possible. For some, they do, but that's not what's happening. It's not 50% growth in the contract value. It's compared to their peers, single-year peers.

Nehal Sushil Chokshi Northland Capital Markets, Research Division - MD & Senior Research Analyst

Okay. Okay.

Paul S. Walker Franklin Covey Co. - President & CEO

Thank you for clarifying that. Great clarification.

Nehal Sushil Chokshi Northland Capital Markets, Research Division - MD & Senior Research Analyst

Yes. And then just to be clear, that 50% improvement relative to a single year contract peers, there's generally 2 components, right, renewal rate and then upsell. Which one is the bigger factor here?

Paul S. Walker Franklin Covey Co. - President & CEO

It's -- renewal rate is the slightly larger factor because multiyear clients are more -- they've been with us longer, and they are more likely than to sign up for the next journey with us. But -- so it's slightly more because of renewal rate, but we do see greater expansion of those clients as well, again, because we've had a longer time with those clients to establish the relationship to look for and sell to expanded populations, tee up additional journeys that we can go on with that client. But the larger driver is the likelihood that they are renewing versus a first year client, for example, that may not renew.

Operator

Our next question will come from the line of Dave Storms from Stonegate Capital.

David Joseph Storms Stonegate Capital Markets, Inc., Research Division - Director of Research

Just wanted to kind of start. I saw the education EBITDA margin, adjusted margin had a nice jump sequentially. Is there a story there that maybe it's a sign of good things to come? Or is that just more seasonal factors or macro driven?

Paul S. Walker Franklin Covey Co. - President & CEO

Okay. The sequential Q2 to Q3?

David Joseph Storms Stonegate Capital Markets, Inc., Research Division - Director of Research

Yes.

Paul S. Walker Franklin Covey Co. - President & CEO

Dave, good question. What the driver of that -- first of all, education business is really doing great and really thrills and the team are doing there. The specific answer to that question is that in Q2, we do these, what we call, client symposiums, and there are events where we bring together current and prospective clients as a way to expose them to a Leader in Me process. And we charge for attendance of those, so it comes in as revenue. And in the second quarter, we did more of them than we did in the third quarter. And so -- but we don't -- we're not making money on those. We're just charging a little bit to help defray some of the costs. We've got revenue coming in with no profit attached to it and we had more of that in the second quarter than we did in the third quarter, and that caused a sequential bump there in gross margin.

David Joseph Storms Stonegate Capital Markets, Inc., Research Division - Director of Research

Understood. Very helpful. And then the other thing, I know you mentioned in your comments that adjusted EBITDA for the quarter came in -- the total company level came in higher than expected. Was there anything that really been right there you could see going forward? Or is that just some of the revenue retention stuff that you were talking about earlier?

Paul S. Walker Franklin Covey Co. - President & CEO

Steve, I think you want to...

Stephen D. Young Franklin Covey Co. - CFO & Corporate Secretary

One of the significant things in this quarter is that we're just in a process like everybody else, really reviewing a lot of our expenses and controlling our hiring and just everything that we can control without negatively impacting revenue. So we had -- so our expenses came

in quite a bit lower than we anticipated in Q3. And our revenue hold up -- held up good. Our gross margin held up good, and we had less expenses. So everything kind of added together for the -- expenses were a big part of that.

Operator

Our next question come from the line of Alex Paris from Barrington Research.

Alexander Peter Paris Barrington Research Associates, Inc., Research Division - Director of Research and Education & Business Services Analyst

I want to also congratulate you on the strong performance in the third quarter and comment that what a difference 3 months mix, right? Yes, big difference this conference call than last conference call. And the deep snow that we were waiting through seems to have melted a bit here in the spring. So just kind of trying to ask incremental questions here. The -- you said that in your prepared comments that the number of All Access Pass clients who renewed or expanded in Q3 was up or consistent with Q2, and you didn't lose or not renew large clients like you did in Q2. Can you maybe just dive into that a little bit more sequentially? What's the macro impact on the North American enterprise business?

Paul S. Walker Franklin Covey Co. - President & CEO

Yes. Great question. So yes, as mentioned, Q2, we had -- we had in Q2 with a few -- a handful of clients who were some of our -- a couple of our larger clients that because of circumstances on their side, weren't able to renew and that disproportionately weighed on that. We had -- we saw much less of that. No big clients like that in Q3, certainly. And so that improved -- while client -- again, client -- the percentage of clients retained quarter-to-quarter was roughly the same. But the revenue retained from those clients who renewed was -- that percentage was better in the third quarter because, again, we didn't have a couple of those outlier clients like we did in Q2. And then we're seeing that trend continue into Q4. And the trend being the strengthening trend there getting revenue retention back up to levels that were more consistent with what we were seeing in Q1 and throughout last year. And we -- the further outlook is that we expect that to continue into the first quarter and beyond.

Alexander Peter Paris Barrington Research Associates, Inc., Research Division - Director of Research and Education & Business Services Analyst

Got you. And then you still have hope or expectations that you'll have the opportunity to win back some of those larger clients that didn't -- weren't able to renew in Q2.

Paul S. Walker Franklin Covey Co. - President & CEO

100%, 100%. In fact, the ones we're talking about in Q2, the conversations were we are on their side, we are so disappointed. There are some things going on, and we're not going to talk about who those clients are. But when you -- if you knew them, you would understand why they were in the position they were in, and they have every expectation, so do we that they'll come back. In fact, we continue to meet with them and have quarterly business reviews. We're still kind of treating them as if they're clients. We're not -- they're not -- they don't have access to our products and services. But from a relationship standpoint, we hope and expect that we will win them back.

And that's really the mentality, Alex, we take with all of our clients. We talk about clients for life. That's both kind of a mantra, but it's also a way of behaving. And so every quarter, we have some nice win backs of clients that, for some reason, weren't able to renew. In fact, we talked in the second quarter about a client -- a large client that wasn't able to renew with an IT consulting services for a very large global company that wasn't able to renew in the fourth quarter. They were unsure about what this year would look like for them. They didn't renew, but they did renew in the second quarter this year and significantly expanded the size of their subscription with us. And so we hope and expect and are doing everything we can to make that the case for any client that we lose and particularly a couple of those big ones in Q2.

Alexander Peter Paris Barrington Research Associates, Inc., Research Division - Director of Research and Education & Business Services Analyst

Good to hear. Good to hear. And then still on the enterprise business, in your prepared comments, Paul, you mentioned that China performed better. China and Japan were obviously a drag in the first half of the fiscal year. Together, they represented 52% of international sales. You didn't mention Japan specifically, but maybe just a little overview on what's going on in China and Japan quarter-over-quarter.

Paul S. Walker Franklin Covey Co. - President & CEO

We were pleased. Japan and China behaved like we thought they would in the third quarter. So you'll recall, we talked in the second quarter about the fact that they were -- they had been a drag and continued through the first 2 quarters of this year to be a drag and we anticipated and still do that. They kind of net-net overall, are providing a bit of a drag on overall reported growth this year. And that we kind of gave guidance around that in Q2.

That said, in Q3, China strengthened significantly. We've seen this now 3 times with them. China has kind of had a 3 times in and out of COVID experience. And each time they've come back out, the business has responded and grown rapidly. That happened again in the third quarter, and we expect that they'll have meaningful growth in the fourth quarter. They will not be to the level we thought they would have been for this full year, fiscal '23, but they are growing back meaningfully like we expected they would start to do at some point in the year, just is happening a little bit later in the year. And so both China and Japan are back on a nice growth trajectory on a year-over-year basis and expect that they'll contribute meaningfully in the fourth quarter and as we move into next year.

Alexander Peter Paris Barrington Research Associates, Inc., Research Division - Director of Research and Education & Business Services Analyst

Great. And then just a quick question for Sean, I believe, on the Education Division in the summer. The summer is a very important period for renewals and that sort of thing in that business? I know you're focused significantly on districts rather than just focusing on schools. Maybe a little update and color there, what you're seeing in the early renewal season.

Michael Sean Merrill Covey Franklin Covey Co. - President of Franklin Covey Education

Sure. So yes, we're excited about the summer. So generally, we feel really good about it. We have a lot of schools and districts coming on right now. I think what the strength of our growth so far this year and going into the fourth quarter, we feel like our solution is like perfectly designed for the challenges that schools are facing right now. So a lot of mental wellness amongst teachers as well as students, learning loss, test scores are the lowest they've been in a long time. And so being able to help overcome those learning loss problems. Teacher turnover is a big issue. Whole student development instead of just academics, looking at the whole students. So all those things are -- we're perfectly designed to deliver well on those. So we feel really good about the summer coming into it.

The district focus is working. I think we'll report on this at the end of the year, but I think we're going to double the amount of districts we brought on compared to last year, which is really good news. And with that comes clumps of schools instead of single schools. It usually takes a little longer to get a district on. But boy, they're much bigger and you get big comps instead of onesies, twosies. And the retention so far has -- in terms of the schools that are renewing is really good and strong, like it's been historically. So it's -- there's a lot of momentum. The results we continue to get with our data and research is really strong.

For example, we just did a big study on teacher retention and Leader in Me schools is significantly higher. And that's become a big issue. So of course, we're going to market that and get out with that message. But we've got -- we've just got a lot of things in our favor right now, and we expect a solid fourth quarter.

Alexander Peter Paris Barrington Research Associates, Inc., Research Division - Director of Research and Education & Business Services Analyst

No, absolutely. That's what I was looking for. And good luck on the renewal season and good luck on the fourth quarter overall.

Operator

Our next question will be a follow-up from a Nehal Chokshi from Northland Capital.

Nehal Sushil Chokshi Northland Capital Markets, Research Division - MD & Senior Research Analyst

Yes. I wanted to know your thoughts on the potential impact of generative AI on how you can impact your customers as well as how it can impact your own employees? A little bit out of the question, but I appreciate your thoughts there.

Paul S. Walker Franklin Covey Co. - President & CEO

That's a great question. In fact, I was hoping somebody would ask. I considered making that kind of the fourth questions I was going to answer proactively, but I thought, no, I won't do that, that would be too many. So we're actually quite encouraged by the opportunity that generative AI is going to present for us and then you outlined it 2 ways. One, there's an opportunity for us as we embrace this internally and how we work just to become even more efficient we think that could be a real accelerant for us. We already have a really strong business financial operating model, but that ought to even help more in the future as we can unleash the power of generative AI to help us work more efficiently. I think that will be a big opportunity. I think the bigger opportunity actually might be with our clients. We're working aggressively right now to; A, to watch this as quickly as we can, but to think about and figure out how to weave AI into our offerings.

For example, we talk about being a content plus people plus technology company and that the integration of those 3 things are a differentiator and important as it relates to helping clients and people achieve behavior change and doing it at scale. The people component is really important, we don't expect that's going to go away. But the part of the -- I can imagine a day where that coaching, some of that coaching is you have your AI, Franklin Covey coach in your pocket all the time. And with our acquisition of Jhana a few years ago, Jhana is that for a lot of people. It's kind of a just-in-time, right now, it's text-based. We push information to people just in time to be supportive of the learning journeys they're on, but also to play the role of performance support coaching kind of in the moment. What AI could do for that would be tremendous.

And I think one of the questions around AI is going to be, can you trust the source? And Franklin Covey being the most, if not one of the most trusted leadership companies out there, you can definitely trust where that information is coming from. And so as we kind of turn AI on, so to speak, across different solutions, as it plays a bigger role in our impact platform in helping people monitor, measure, track, behavior change, feeding analytics back to our customers. There's a big opportunity there. We're actually quite excited to buy it. And think it will be a great accelerant for us in a couple of important ways.

Nehal Sushil Chokshi Northland Capital Markets, Research Division - MD & Senior Research Analyst

Do you have any actual developed generative AI development programs that have been kicked off at this point in time? Or is this more of a discussion of where might you want to make such investments?

Paul S. Walker Franklin Covey Co. - President & CEO

Yes, great question. So we don't have anything that we have released to our clients yet. But -- and we are working on things like what I just described. But we have not released -- we have not officially put any of that into our offering for our clients yet. Expect to do so in the future -- near future.

Operator

I'm not showing any further questions in the queue. I'd like to turn the call back over to Paul for closing remarks.

Paul S. Walker Franklin Covey Co. - President & CEO

Okay. Wonderful. Thank you, Victor. Before we go, we had Bob on. And Bob was -- we were going to turn to just a minute to Bob to share a couple of thoughts. And he's dropped. And so what we're going to do, if it's okay, Bob has prepared his remarks, we're going to be happy to have them here. I'm going to ask Steve if he'd be willing to share what Bob wanted to say, so pretend for a minute that you're listening to Bob. (inaudible) by the end of this, Steve, and he can share a thought or two as well.

Stephen D. Young Franklin Covey Co. - CFO & Corporate Secretary

Maybe I'll try to talk in Bob's voice. So I'm really -- what he was going to say, and it's in his words. So obviously, I, Bob, I'm delighted to be here with you all and share a couple of things. Okay. First, I would like to express to you our shareholders how much we appreciate and have appreciated your trust, support and guidance. You are great advisers and supporters and our executive team wakes up every day

determined to continue to earn your confidence, trust and commitment.

Second, I'd like to express to Paul, Steve, Jen, Sean and to the entire executive team, my, the Board, and I know you as shareholders, our appreciation and admiration for their great leadership and vision and for the remarkable way in which they lead and execute each day. The strength of our combined ongoing leadership has and is significantly expanding the strength of our strategic moat, building an incredible future and creating significant value from our -- for our shareholders.

And third, on behalf of myself and our remarkable Board of Directors, I would like to express to Paul, how much we admire him as a person, as a leader and as our CEO. Paul has done and is doing just an incredible job, and he has my full confidence out of the Board of the executive team on Franklin Covey's employees and of our clients and customers, and I know of each of you.

Given this, I am pleased to announce that Paul has been appointed to serve as a member of the company's Board of Directors starting immediately, and that he will formally stand for election to the Board at this year's Annual Shareholder Meeting.

Given Paul and the team's tremendous performance and deep strength in leading the company, I wanted to also let you know that effective September 1, 2023. I will transition from the additional role I took over as Executive Chairman in order to help in any way that I could during the transition and return to the single role of Chairman of the Board, where I will happily and actively continue to help in any way that I can. So I appreciate Bob and everything that he has done with -- for the company and are pleased that he will still serve as the Chairman of the Board and have influence on the company. And we're very pleased that Paul has been appointed to the Board. And as Bob said, we all do totally support Paul.

Paul S. Walker *Franklin Covey Co. - President & CEO*

Thanks, Stephen, and thanks, Bob. I would just say on the final comment for me. Bob, you could not have a better partner as you all know, than Bob, and you just could not have. And that has been the case, and I'm excited that's going to continue to be the case as he's the Chairman of the company. So thank you all so much for your time today. I know we went a little bit over, but it was important, I think, to share, which Bob could have been important to share that. And we appreciate you. Thanks for all of your interest and for your careful understanding of the company, and we look forward to talking to you again when we report year-end results. Have a good evening.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect. Everyone, have a great day.

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