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FranklinCovey™

INVESTOR UPDATE

First Quarter Fiscal 2025



Forward-Looking Statements/Non-GAAP



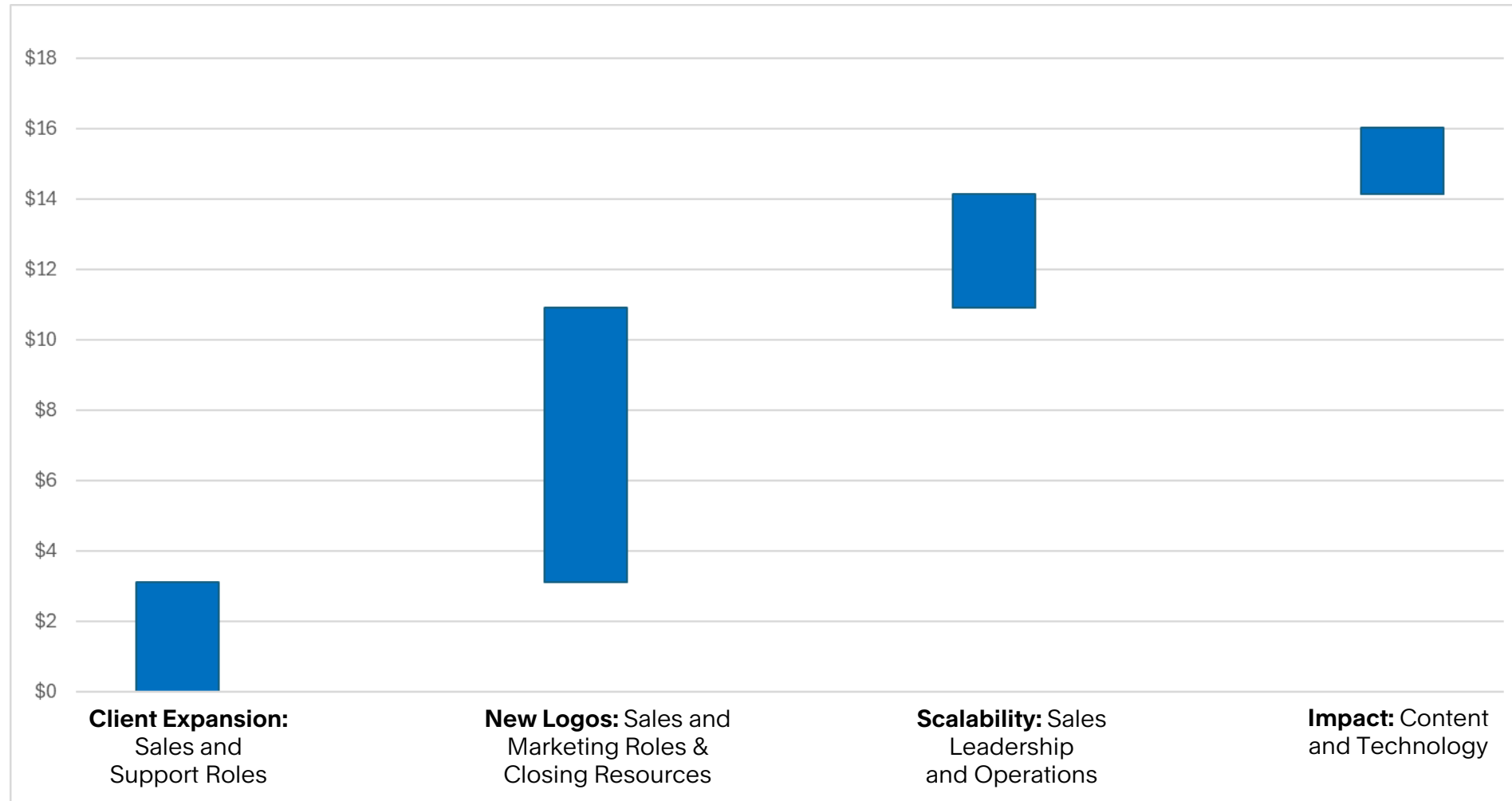
This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon management's current expectations and are subject to various risks and uncertainties including, but not limited to: The ability of the Company to 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 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.

This presentation uses the non-GAAP financial measures of Adjusted EBITDA, Free Cash Flow, and "constant currency." The Company defines Adjusted EBITDA as net income excluding the impact of interest, income taxes, intangible asset amortization, depreciation, stock-based compensation expense, and certain other infrequently occurring items such as restructuring costs. Free Cash Flow is defined as GAAP calculated cash flows from operating activities less capitalized expenditures for purchases of property and equipment, curriculum development, and content or license rights. Constant currency is a non-GAAP financial measure that removes the impact of fluctuations in foreign currency exchange rates and is calculated by translating the current period's financial results at the same average exchange rates in effect during the prior year and then comparing this amount to the prior year. 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, or other GAAP operating measures.

FY25 Growth Investments

(in Millions, Unaudited)



Enterprise North America Client Segmentation



| Segment | Full-time Employees (FTE) Criteria | Total Prospects |
|---|------------------------------------|-----------------|
| Key Accounts | 25,000+ | ~1,000 |
| Enterprise | 5,000 – 25,000 | ~4,000 |
| Mid-Market | 500 – 5,000 | ~44,000 |
| SMB (Small and Medium Business) | < 500 | 16M+ |

Source: ZoomInfo

FranklinCovey

Q1FY25 and Q1FY25 LTM Unaudited



\$69.1M

Q1FY25 Revenue

\$68.4M Q1FY24

\$287.9M

Q1FY25 LTM Revenue

\$279.6M Q1FY24 LTM

\$7.7M

Q1FY25 Adjusted EBITDA

\$11.0M Q1FY24

\$52.0M

Q1FY25 LTM Adjusted EBITDA

\$47.6M Q1FY24 LTM

\$14.1M

**Q1FY25 Cash Flows from
Operating Activities**

\$17.4M Q1FY24

\$11.4M

Q1FY25 Free Cash Flows

\$13.7M Q1FY24

Note: Adjusted EBITDA is a non-GAAP, please see Appendix for additional information.

Enterprise Division – North America

Q1FY25 Unaudited



\$40.1M
Revenue
\$40.3M Q1FY24

\$21.8M
Subscription Revenue
\$22.5M Q1FY24

\$34.3M
Subscription & Subscription Services Revenue
\$34.9M Q1FY24

\$41.8M
Billed Deferred Revenue
\$45.1M Q1FY24

\$66.5M
Unbilled Deferred Revenue
\$76.1M Q1FY24

60%
AAP Multi-Year Contract Value

Enterprise Division - International

Q1FY25 Unaudited



\$8.2M

Revenue - International Direct

\$8.7M Q1FY24

\$3.2M

**Revenue - International Licensee
Partners**

\$3.4M Q1FY24

Education Division

Q1FY25 Unaudited



\$16.5M

Revenue

\$14.9M Q1FY24

\$12.2M

Invoiced Amounts

\$8.5M Q1FY24

\$14.9M

**Subscription & Subscription
Service Revenue**

\$13.2M Q1FY24

\$44.2M

**Deferred Revenue
(Billed)**

\$34.3M Q1FY24

Free Cash Flow

In thousands



| | Quarter Ended | |
|---|-------------------------|-------------------------|
| | November 30, 2024 | November 30, 2023 |
| | (unaudited) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 1,181 | \$ 4,851 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,048 | 2,162 |
| Amortization of capitalized curriculum costs | 1,033 | 691 |
| Stock-based compensation | 2,167 | 2,897 |
| Deferred income taxes | (216) | (1,048) |
| Amortization of right-of-use operating lease assets | 162 | 199 |
| Changes in working capital | 7,770 | 7,686 |
| Net cash provided by operating activities | <u>14,145</u> | <u>17,438</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (998) | (1,072) |
| Curriculum development costs | (1,432) | (2,668) |
| Reacquisition of license rights | (324) | - |
| Net cash used for investing activities | <u>(2,754)</u> | <u>(3,740)</u> |
| Free Cash Flow | <u>\$ 11,391</u> | <u>\$ 13,698</u> |

Appendix



Other Information



OTHER INCOME STATEMENT INFORMATION:

- Depreciation: \$3.9M in FY2024, expected to total approximately \$3.5M in FY2025.
- Amortization: \$4.2M in FY2024, expected to total approximately \$4.4 in FY2025.
- Net Interest Expense: \$0.0M in FY2024 and Net Interest Income expected to total approximately \$0.5M in FY2025.
- Share-based Compensation, Impaired Assets, Restructuring, Accrued Earnout and Other amounts excluded from Adjusted EBITDA totaling \$14.1M in FY2024; expected to total approximately \$14.5M in FY2025.
- Effective Tax Rate: Our normalized future 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 FY25 effective rate.

OTHER INFORMATION:

- Capital Expenditures: \$3.7M in FY2024, expected to total approximately \$4.3M to \$6.3M in FY2025.
- Capitalized Curriculum excluding acquired content: \$6.9M in FY2024, expected to total approximately \$8.3M to \$10.3M in FY2025.
- Share Count: 13,196k shares outstanding as of December 31, 2024. 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.
- The impact of FX on Revenue and Adjusted EBITDA in Fiscal 24 was an unfavorable \$900K and \$500K, respectively. The impact of FX on Revenue in the 1st quarter of Fiscal 25 was insignificant and the impact on Adjusted EBITDA was an unfavorable \$400K.

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

APPENDIX

FranklinCovey Financial Headlines



(in Millions and Unaudited)

| | <u>Q1 FY 25</u> | <u>Q1 FY 24</u> | <u>Chg</u> | <u>%</u> | <u>LTM Q1 FY 25</u> | <u>LTM Q1 FY 24</u> | <u>Chg</u> | <u>%</u> |
|-------------------|-----------------|-----------------|------------|----------|---------------------|---------------------|------------|----------|
| Revenue | \$ 69.1 | \$ 68.4 | \$ 0.7 | 1.0% | \$ 287.9 | \$ 279.6 | \$ 8.4 | 3.0% |
| Cost of Sales | 16.4 | 16.1 | 0.3 | 1.6% | 66.4 | 66.5 | (0.1) | -0.2% |
| Gross Profit | 52.7 | 52.3 | 0.4 | 0.8% | 221.5 | 213.0 | 8.5 | 4.0% |
| Gross Profit % | 76.3% | 76.4% | (13) | bps | 76.9% | 76.2% | 73 | bps |
| Operating SG&A | 45.0 | 41.3 | 3.7 | 9.0% | 169.5 | 165.5 | 4.1 | 2.5% |
| Operating SG&A % | 65.2% | 60.4% | (479) | bps | 58.9% | 59.2% | 31 | bps |
| Adjusted EBITDA | \$ 7.7 | \$ 11.0 | (\$3.3) | -30.0% | \$ 52.0 | \$ 47.6 | \$ 4.4 | 9.3% |
| Adjusted EBITDA % | 11.1% | 16.0% | | | 18.1% | 17.0% | | |

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

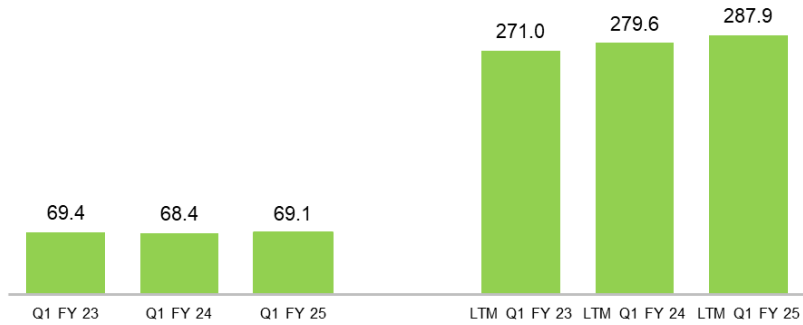
APPENDIX

FranklinCovey Highlights

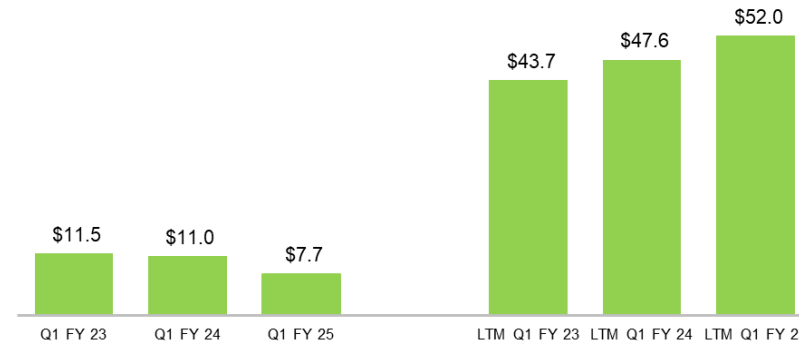
(in Millions and Unaudited)



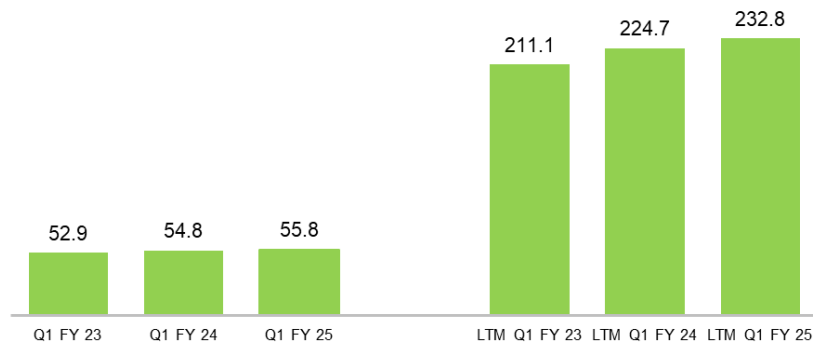
REVENUE



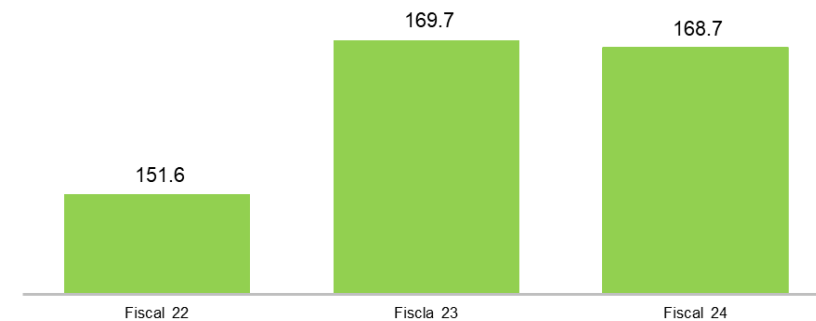
ADJUSTED EBITDA



SUBSCRIPTION AND SUBSCRIPTION SERVICES REVENUE



DEFERRED & UNBILLED DEFERRED SUBSCRIPTION REVENUE



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.

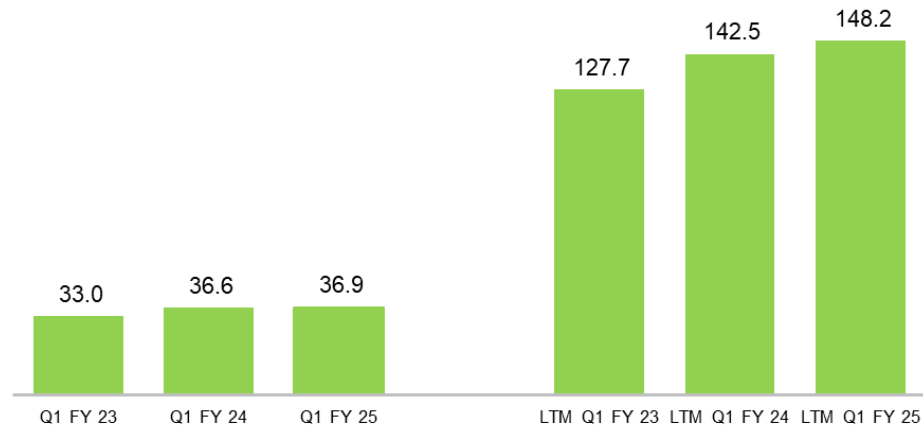
APPENDIX

Trends in the Business

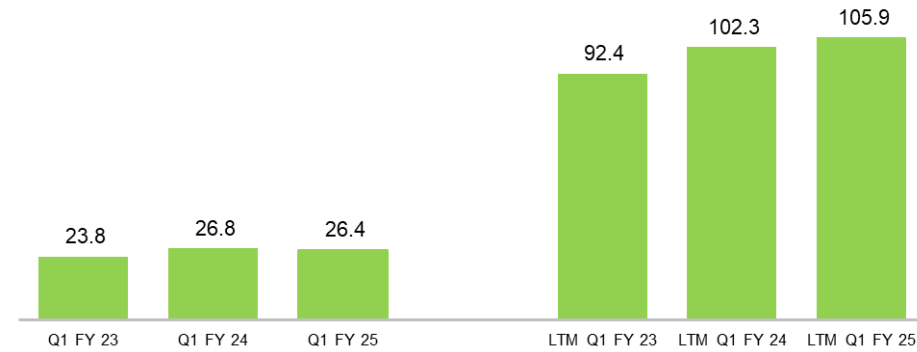
(in Millions and Unaudited)



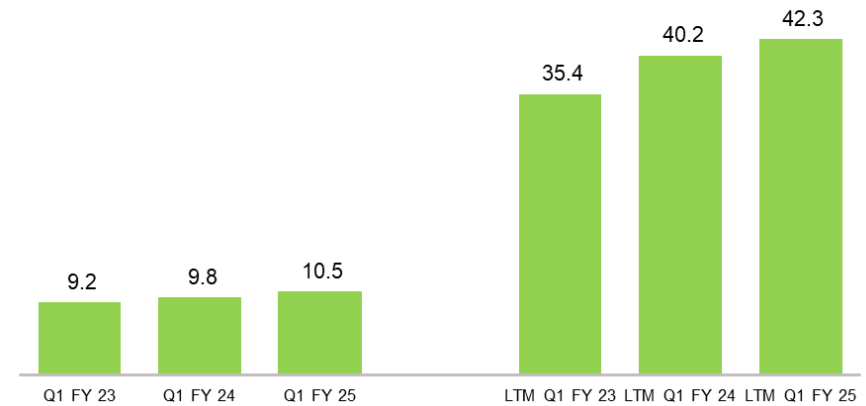
SUBSCRIPTION REVENUE



AAP AND OTHER SUBSCRIPTION REVENUE



EDUCATION SUBSCRIPTION REVENUE



APPENDIX

Revenue Information

(in Millions and Unaudited)



| | FY 2023 | FY 2024 | | | | FY 2025 | |
|--|-----------|---------|--------|--------|--------|-----------|--------|
| | Full Year | Q1 | Q2 | Q3 | Q4 | Full Year | Q1 |
| Revenue | | | | | | | |
| Reported Revenue | 280.5 | 68.4 | 61.3 | 73.4 | 84.1 | 287.2 | 69.1 |
| Change in Deferred Revenue | 11.0 | (11.9) | (1.1) | (2.3) | 24.1 | 8.9 | (12.2) |
| Invoiced Amount | 291.5 | 56.5 | 60.2 | 71.1 | 108.2 | 296.1 | 56.9 |
| Balance Sheet | | | | | | | |
| Roll-Forward of Deferred Subscription Revenue | | | | | | | |
| Beginning Balance (deferred revenue) | 88.1 | 99.0 | 87.2 | 86.1 | 83.8 | 99.0 | 107.9 |
| Subscription Invoiced | 150.0 | 24.7 | 34.6 | 34.5 | 62.9 | 156.8 | 24.7 |
| Amounts Recorded to Revenue | (139.0) | (36.6) | (35.7) | (36.7) | (38.8) | (147.9) | (36.9) |
| Change in Deferred Revenue | 11.0 | (11.9) | (1.1) | (2.3) | 24.1 | 8.9 | (12.2) |
| Ending Balance (Def Subscription Revenue) | 99.0 | 87.2 | 86.1 | 83.8 | 107.9 | 107.9 | 95.7 |
| Unbilled Deferred Contracts | | | | | | | |
| Beginning Balance (off balance sheet) | 65.4 | 87.4 | 82.5 | 72.7 | 69.4 | 87.4 | 75.2 |
| New Unbilled Contracts | 67.0 | 7.2 | 8.8 | 8.9 | 20.5 | 45.4 | 7.8 |
| Amounts Invoiced | (45.0) | (11.7) | (18.5) | (12.2) | (14.8) | (57.1) | (10.0) |
| Ending Balance (off balance sheet) | 87.4 | 82.5 | 72.7 | 69.4 | 75.2 | 75.2 | 73.0 |
| Breakout of Deferred Sales (above) | | | | | | | |
| Subscription Invoiced Amounts | | | | | | | |
| All Access Pass Subscriptions | 96.7 | 19.4 | 28.3 | 23.0 | 27.2 | 97.9 | 16.7 |
| Education Subscription Contracts | 47.6 | 3.4 | 4.7 | 9.2 | 32.3 | 49.5 | 6.2 |
| Other | 5.7 | 1.9 | 1.6 | 2.3 | 3.5 | 9.4 | 1.8 |
| Total Additions to balance sheet | 150.0 | 24.7 | 34.6 | 34.5 | 62.9 | 156.8 | 24.7 |

Notes:

- Invoiced Amounts represent the amount billed (invoiced) in the period. The Invoiced Amount is equal to Reported Net Revenue, plus the associated change in Deferred Subscription Revenue 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 Revenue, which is added to Reported Net Revenue to equal the Invoiced Amount, and the Change in Deferred Revenue 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 Revenue over the course of the contract and Consulting which is recognized as Revenue upon delivery. These combined performance obligations are contracted, invoiced and paid together. See Deferred Subscription Revenue in the Definitions

APPENDIX

FranklinCovey Contracts Signed



(in Millions and Unaudited)

| First Quarter | Enterprise Division | | | | Education Division | | | | Corporate | | | Total Company | | | |
|---|---------------------|-------|--------|-------|--------------------|-------|--------|--------|-----------|-------|--------|---------------|--------|--------|------|
| | FY25 | FY24 | Change | % | FY25 | FY24 | Change | % | FY25 | FY24 | Change | FY25 | FY24 | Change | % |
| Revenue | 51.6 | 52.4 | (0.9) | -1.7% | 16.5 | 14.9 | 1.6 | 10.6% | 1.0 | 1.1 | (0.0) | 69.1 | 68.4 | 0.7 | 1.0% |
| Change in Deferred Subscription Revenue | (7.9) | (5.5) | (2.4) | 43.2% | (4.3) | (6.4) | 2.1 | -32.3% | (0.0) | - | (0.0) | (12.2) | (11.9) | (0.3) | 2.7% |
| Invoiced Amounts | 43.7 | 46.9 | (3.2) | -6.9% | 12.2 | 8.5 | 3.6 | 42.5% | 1.0 | 1.1 | (0.0) | 56.9 | 56.5 | 0.4 | 0.6% |
| Change in Unbilled Deferred Revenue | (2.2) | (4.9) | 2.7 | | (0.0) | (0.1) | 0.0 | | 0.0 | (0.0) | 0.0 | (2.2) | (4.9) | 2.7 | |
| Total Contracts Signed | 41.5 | 42.1 | (0.5) | -1.3% | 12.1 | 8.5 | 3.6 | 43.1% | 1.0 | 1.1 | (0.0) | 54.7 | 51.6 | 3.1 | 6.0% |

| Last 12 Months First Quarter | Enterprise Division | | | | Education Division | | | | Corporate | | | Total Company | | | |
|---|---------------------|-------|--------|---------|--------------------|------|--------|--------|-----------|-------|--------|---------------|-------|--------|---------|
| | FY25 | FY24 | Change | % | FY25 | FY24 | Change | % | FY25 | FY24 | Change | FY25 | FY24 | Change | % |
| Revenue | 207.3 | 204.2 | 3.1 | 1.5% | 75.8 | 70.7 | 5.0 | 7.1% | 4.9 | 4.6 | 0.2 | 287.9 | 279.6 | 8.4 | 3.0% |
| Change in Deferred Subscription Revenue | (1.4) | 2.7 | (4.2) | -152.4% | 10.0 | 7.7 | 2.2 | 28.6% | 0.0 | - | 0.0 | 8.5 | 10.5 | (2.0) | -18.7% |
| Invoiced Amounts | 205.8 | 207.0 | (1.1) | -0.5% | 85.7 | 78.5 | 7.3 | 9.2% | 4.9 | 4.6 | 0.2 | 296.4 | 290.1 | 6.4 | 2.2% |
| Change in Unbilled Deferred Revenue | (9.5) | 7.5 | (17.1) | -226.6% | 0.0 | 0.0 | 0.0 | 343.3% | (0.0) | (0.0) | 0.0 | (9.5) | 7.5 | (17.0) | -225.8% |
| Total Contracts Signed | 196.3 | 214.5 | (18.2) | -8.5% | 85.8 | 78.5 | 7.3 | 9.3% | 4.9 | 4.6 | 0.2 | 287.0 | 297.6 | (10.6) | -3.6% |

| As of November 30 | Enterprise Division | | | | Education Division | | | | Corporate | | | Total Company | | | |
|---------------------------------------|---------------------|------|--------|--------|--------------------|------|--------|-------|-----------|------|--------|---------------|------|--------|--------|
| | FY25 | FY24 | Change | % | FY25 | FY24 | Change | % | FY25 | FY24 | Change | FY25 | FY24 | Change | % |
| Deferred Subscription Revenue Balance | 51.5 | 52.9 | (1.4) | -2.7% | 44.2 | 34.3 | 10.0 | 29.1% | - | - | - | 95.7 | 87.2 | 8.5 | 9.8% |
| Unbilled Deferred Revenue Balance | 72.2 | 81.7 | (9.5) | -11.7% | 0.8 | 0.7 | 0.0 | 6.1% | - | - | - | 73.0 | 82.5 | (9.5) | -11.5% |

Notes:

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

Reconciliation of Net Income to Adjusted EBITDA



(in Thousands and Unaudited)

| | Quarter Ended | |
|--|----------------------|----------------------|
| | November 30, 2024 | November 30, 2023 |
| Reconciliation of net income to Adjusted EBITDA: | | |
| Net income | \$ 1,181 | \$ 4,851 |
| Adjustments: | | |
| Interest (income) expense, net | (112) | 53 |
| Income tax provision | 406 | 425 |
| Amortization | 1,098 | 1,071 |
| Depreciation | 950 | 1,091 |
| Stock-based compensation | 2,167 | 2,897 |
| Restructuring costs | 1,984 | 581 |
| Adjusted EBITDA | \$ 7,674 | \$ 10,969 |
| Adjusted EBITDA margin | 11.1% | 16.0% |

Note: 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.

APPENDIX

Additional Financial Information



(in Thousands and Unaudited)

| | Quarter Ended | |
|---|----------------------|----------------------|
| | November 30, 2024 | November 30, 2023 |
| Sales by Division/Segment: | | |
| Enterprise Division: | | |
| North America | \$ 40,137 | \$ 40,293 |
| International direct offices | 8,239 | 8,730 |
| International licensees | 3,203 | 3,423 |
| | <u>51,579</u> | <u>52,446</u> |
| Education Division | 16,464 | 14,891 |
| Corporate and other | 1,043 | 1,062 |
| Consolidated | <u>\$ 69,086</u> | <u>\$ 68,399</u> |
| Gross Profit by Division/Segment: | | |
| Enterprise Division: | | |
| North America | \$ 32,821 | \$ 32,764 |
| International direct offices | 6,113 | 6,613 |
| International licensees | 2,864 | 3,081 |
| | <u>41,798</u> | <u>42,458</u> |
| Education Division | 10,410 | 9,475 |
| Corporate and other | 503 | 344 |
| Consolidated | <u>\$ 52,711</u> | <u>\$ 52,277</u> |
| Adjusted EBITDA by Division/Segment: | | |
| Enterprise Division: | | |
| North America | \$ 8,744 | \$ 10,441 |
| International direct offices | (224) | 1,158 |
| International licensees | 1,644 | 1,916 |
| | <u>10,164</u> | <u>13,515</u> |
| Education Division | 266 | 110 |
| Corporate and other | (2,756) | (2,656) |
| Consolidated | <u>\$ 7,674</u> | <u>\$ 10,969</u> |

Note: 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.

APPENDIX

Condensed Consolidated Balance Sheets



(in Thousands and Unaudited)

| | November 30, 2024 | August 31, 2024 |
|--|----------------------|--------------------|
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 53,294 | \$ 48,663 |
| Accounts receivable, less allowance for credit losses of \$2,141 and \$3,015 | 61,419 | 86,002 |
| Inventories | 3,828 | 4,002 |
| Prepaid expenses and other current assets | 20,247 | 21,586 |
| Total current assets | <u>138,788</u> | <u>160,253</u> |
| Property and equipment, net | 8,733 | 8,736 |
| Intangible assets, net | 37,163 | 37,766 |
| Goodwill | 31,220 | 31,220 |
| Deferred income tax assets | 834 | 870 |
| Other long-term assets | 23,168 | 22,694 |
| | <u>\$ 239,906</u> | <u>\$ 261,539</u> |

Liabilities and Shareholders' Equity

| | | |
|--|-------------------|-------------------|
| Current liabilities: | | |
| Current portion of notes payable | \$ 835 | \$ 835 |
| Current portion of financing obligation | 2,166 | 3,112 |
| Accounts payable | 5,961 | 7,862 |
| Deferred subscription revenue | 88,868 | 101,218 |
| Customer deposits | 21,815 | 16,972 |
| Accrued liabilities | 23,893 | 32,454 |
| Total current liabilities | <u>143,538</u> | <u>162,453</u> |
| Notes payable, less current portion | 789 | 775 |
| Financing obligation, less current portion | 1,312 | 1,312 |
| Other liabilities | 10,707 | 10,732 |
| Deferred income tax liabilities | 2,913 | 3,132 |
| Total liabilities | <u>159,259</u> | <u>178,404</u> |
| Shareholders' equity: | | |
| Common stock | 1,353 | 1,353 |
| Additional paid-in capital | 227,273 | 231,813 |
| Retained earnings | 124,385 | 123,204 |
| Accumulated other comprehensive loss | (970) | (768) |
| Treasury stock at cost, 13,867 and 14,084 shares | (271,394) | (272,467) |
| Total shareholders' equity | <u>80,647</u> | <u>83,135</u> |
| | <u>\$ 239,906</u> | <u>\$ 261,539</u> |

APPENDIX

Condensed Consolidated Income Statements



(in Thousands, Except Per-Share Amounts, and Unaudited)

| | Quarter Ended | |
|--------------------------------------|----------------------|----------------------|
| | November 30, 2024 | November 30, 2023 |
| Net revenue | \$ 69,086 | \$ 68,399 |
| Cost of revenue | 16,375 | 16,122 |
| Gross profit | 52,711 | 52,277 |
| Selling, general, and administrative | 47,204 | 44,205 |
| Restructuring costs | 1,984 | 581 |
| Depreciation | 950 | 1,091 |
| Amortization | 1,098 | 1,071 |
| Income from operations | 1,475 | 5,329 |
| Interest income (expense), net | 112 | (53) |
| Income before income taxes | 1,587 | 5,276 |
| Income tax provision | (406) | (425) |
| Net income | \$ 1,181 | \$ 4,851 |
| Net income per share: | | |
| Basic | \$ 0.09 | \$ 0.37 |
| Diluted | 0.09 | 0.36 |
| Weighted average common shares: | | |
| Basic | 13,092 | 13,244 |
| Diluted | 13,271 | 13,636 |
| Other data: | | |
| Adjusted EBITDA | \$ 7,674 | \$ 10,969 |

(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.

APPENDIX

Free Cash Flow

(in Thousands)



| | Quarter Ended | |
|---|-------------------------|-------------------------|
| | November 30, 2024 | November 30, 2023 |
| | (unaudited) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 1,181 | \$ 4,851 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,048 | 2,162 |
| Amortization of capitalized curriculum costs | 1,033 | 691 |
| Stock-based compensation | 2,167 | 2,897 |
| Deferred income taxes | (216) | (1,048) |
| Amortization of right-of-use operating lease assets | 162 | 199 |
| Changes in working capital | 7,770 | 7,686 |
| Net cash provided by operating activities | <u>14,145</u> | <u>17,438</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (998) | (1,072) |
| Curriculum development costs | (1,432) | (2,668) |
| Reacquisition of license rights | (324) | - |
| Net cash used for investing activities | <u>(2,754)</u> | <u>(3,740)</u> |
| Free Cash Flow | <u>\$ 11,391</u> | <u>\$ 13,698</u> |

APPENDIX



Enterprise Division Financial Summary

(in Millions and Unaudited)

| | <u>Q1 FY 25</u> | <u>Q1 FY 24</u> | <u>Chg</u> | <u>%</u> | <u>LTM Q1 FY 25</u> | <u>LTM Q1 FY 24</u> | <u>Chg</u> | <u>%</u> |
|-------------------|-----------------|-----------------|------------|----------|---------------------|---------------------|------------|----------|
| Revenue | \$ 51.6 | \$ 52.4 | (\$0.9) | -1.7% | \$ 207.3 | \$ 204.2 | \$ 3.1 | 1.5% |
| Cost of Sales | 9.8 | 10.0 | (0.2) | -2.1% | 35.9 | 37.5 | (1.5) | -4.1% |
| Gross Profit | 41.8 | 42.5 | (0.7) | -1.6% | 171.4 | 166.7 | 4.6 | 2.8% |
| Gross Profit % | 81.0% | 81.0% | 8 | bps | 82.7% | 81.7% | 102 | bps |
| Operating SG&A | 31.6 | 28.9 | 2.7 | 9.3% | 119.0 | 116.4 | 2.6 | 2.2% |
| Operating SG&A % | 61.3% | 55.2% | (614) | bps | 57.4% | 57.0% | (40) | bps |
| Adjusted EBITDA | \$ 10.2 | \$ 13.5 | (\$3.4) | -24.8% | \$ 52.4 | \$ 50.3 | \$ 2.0 | 4.0% |
| Adjusted EBITDA % | 19.7% | 25.8% | | | 25.3% | 24.7% | | |

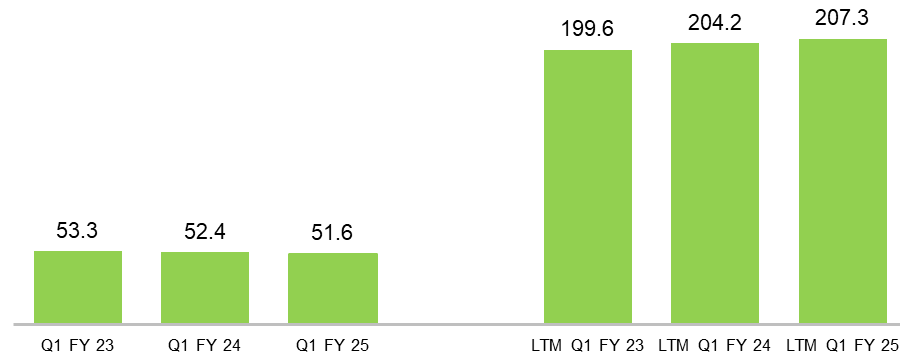
Note: The term Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Income (Loss) to Adjusted EBITDA.



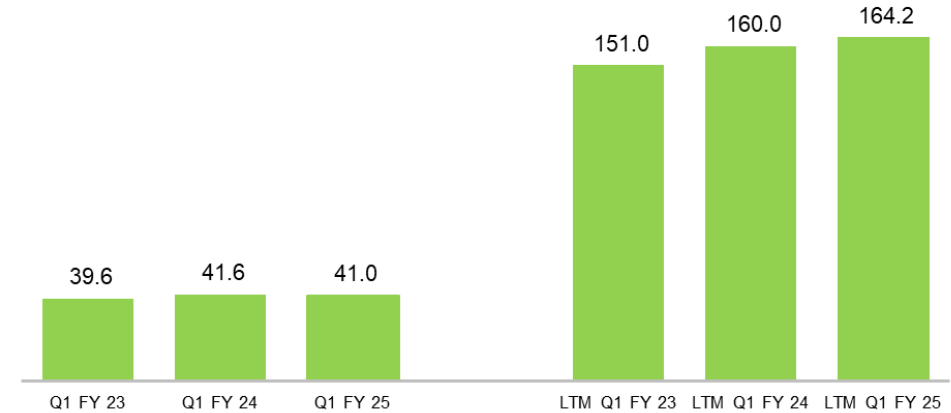
Enterprise Division Financial Summary

(in Millions and Unaudited)

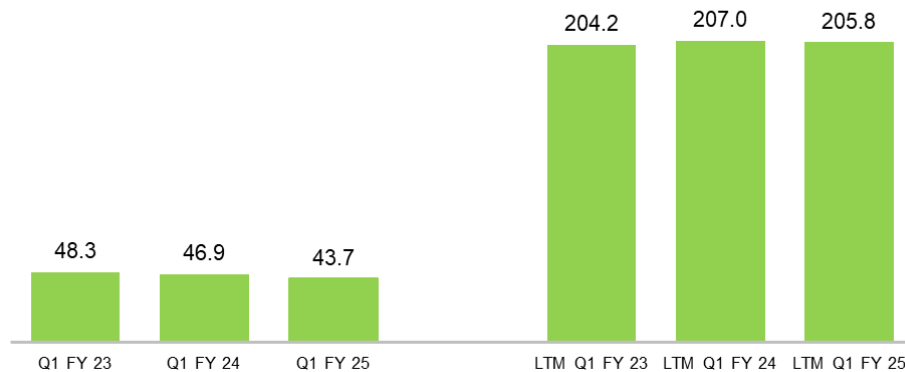
REVENUE



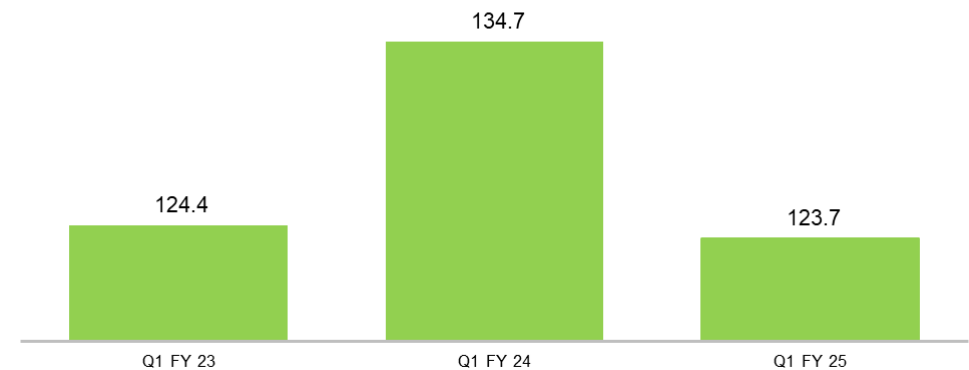
AAP SUBSCRIPTION AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED SUBSCRIPTION REVENUE



APPENDIX



Enterprise Division AAP & Related Revenue

(in Millions and Unaudited)

| | LTM Q1FY25 | LTM Q1FY24 | LTM Q1FY23 |
|---|----------------|----------------|----------------|
| AAP Sales | \$105.9 | \$102.3 | \$92.4 |
| AAP Add on Sales* | 58.3 | 57.7 | 58.6 |
| Total AAP and Related | 164.2 | 160.0 | 151.0 |
| AAP Related Services Attach Rate | 55% | 56% | 63% |
| Legacy Sales | 25.2 | 24.6 | 29.7 |
| International licensees | 11.2 | 11.9 | 10.9 |
| Other Sales | 6.6 | 7.7 | 8.1 |
| Total Enterprise Sales | \$207.3 | \$204.2 | \$199.6 |

| | LTM Q1FY25 | LTM Q1FY24 | LTM Q1FY23 |
|---|----------------|----------------|----------------|
| North America Sales | \$156.9 | \$157.5 | \$40.7 |
| International Direct Office Sales | 32.6 | 34.7 | 33.3 |
| Other Sales | 6.6 | 7.7 | 8.1 |
| Total Direct Office Division Sales | 196.1 | 200.0 | 82.1 |
| International Licensees | 11.2 | 11.9 | 10.9 |
| Total Enterprise Sales | \$207.3 | \$204.2 | \$199.6 |

| | Q1FY25 | Q4FY24 | Q3FY24 | Q2FY24 | Q1FY24 |
|--|---------------|---------------|---------------|---------------|---------------|
| | \$26.4 | \$26.9 | \$26.3 | \$26.3 | \$26.8 |
| | 14.6 | 16.3 | 16.2 | 11.2 | 14.8 |
| | 41.0 | 43.2 | 42.6 | 37.5 | 41.6 |
| | 55% | 61% | 62% | 43% | 55% |
| | 5.9 | 10.6 | 4.9 | 3.9 | 5.4 |
| | 3.2 | 2.5 | 2.7 | 2.8 | 3.4 |
| | 1.5 | 1.9 | 1.7 | 1.5 | 2.0 |
| | \$51.6 | \$58.2 | \$51.9 | \$45.6 | \$52.4 |
| | Q1FY25 | Q4FY24 | Q3FY24 | Q2FY24 | Q1FY24 |
| | \$40.1 | \$40.6 | \$40.6 | \$35.6 | \$40.3 |
| | \$8.2 | \$8.5 | \$8.5 | \$7.3 | \$8.7 |
| | 1.5 | 1.9 | 1.7 | 1.5 | 2.0 |
| | 49.9 | 51.0 | 50.8 | 44.3 | 51.0 |
| | 3.2 | 2.5 | 2.7 | 2.8 | 3.4 |
| | \$51.6 | \$58.2 | \$51.9 | \$45.6 | \$52.4 |

APPENDIX

Education Division Financial Summary



(in Millions and Unaudited)

| | <u>Q1 FY 25</u> | <u>Q1 FY 24</u> | <u>Chg</u> | <u>%</u> | <u>LTM Q1 FY 25</u> | <u>LTM Q1 FY 24</u> | <u>Chg</u> | <u>%</u> |
|-------------------|-----------------|-----------------|------------|----------|---------------------|---------------------|------------|----------|
| Revenue | \$ 16.5 | \$ 14.9 | \$ 1.6 | 10.6% | \$ 75.8 | \$ 70.7 | \$ 5.0 | 7.1% |
| Cost of Sales | 6.1 | 5.4 | 0.6 | 11.7% | 27.3 | 25.8 | 1.5 | 6.0% |
| Gross Profit | 10.4 | 9.5 | 0.9 | 9.9% | 48.5 | 45.0 | 3.5 | 7.8% |
| Gross Profit % | 63.2% | 63.6% | (39) | bps | 64.0% | 63.6% | 39 | bps |
| Operating SG&A | 10.1 | 9.4 | 0.8 | 8.3% | 38.5 | 37.5 | 1.0 | 2.5% |
| Operating SG&A % | 61.6% | 62.9% | 127 | bps | 50.8% | 53.1% | 227 | bps |
| Adjusted EBITDA | \$ 0.3 | \$ 0.1 | \$ 0.2 | 142.8% | \$ 10.0 | \$ 7.4 | \$ 2.5 | 34.2% |
| Adjusted EBITDA % | 1.6% | 0.7% | | | 13.2% | 10.5% | | |

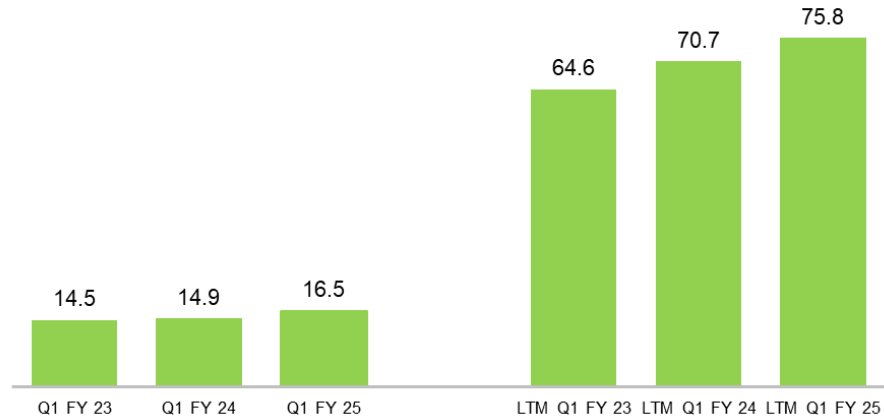
Note: The term Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Income (Loss) to Adjusted EBITDA.



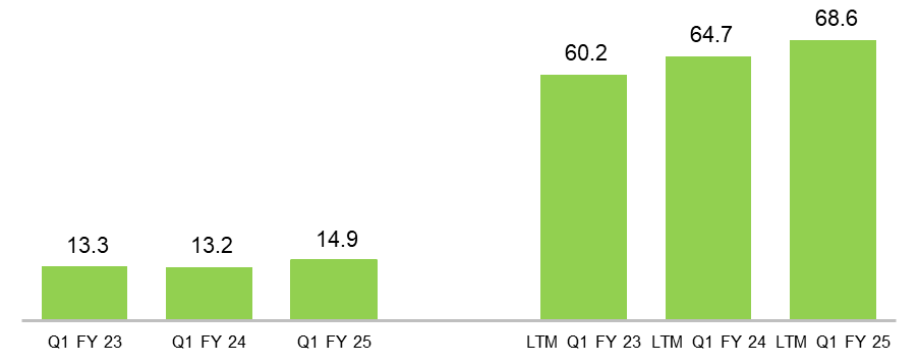
Education Division Financial Summary

(in Millions and Unaudited)

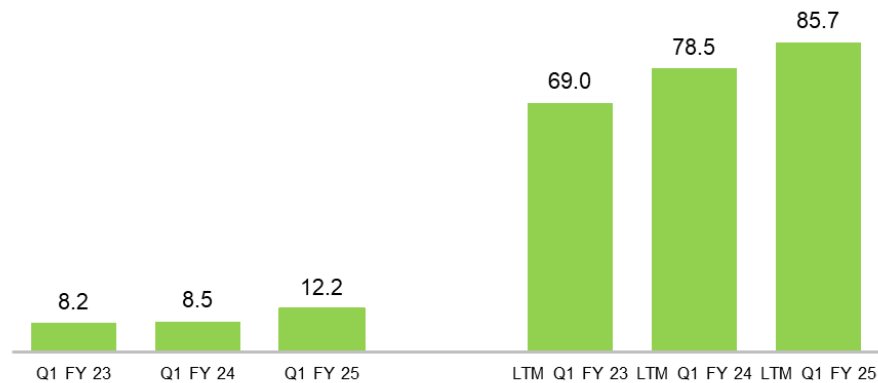
REVENUE



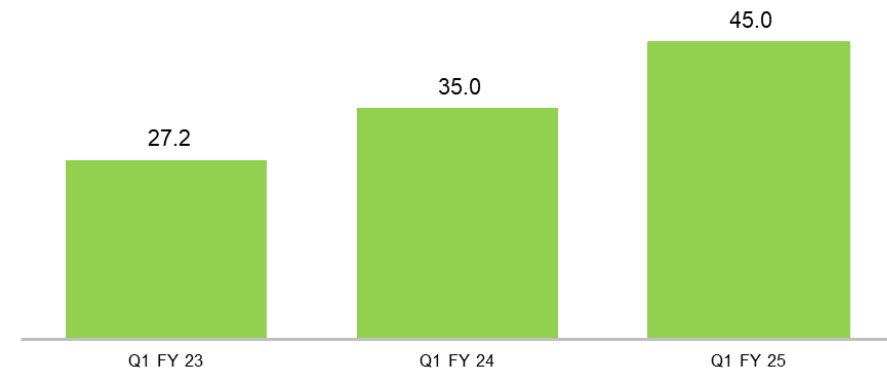
SUBSCRIPTION AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED SUBSCRIPTION 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 Revenue 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 Revenue 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.
- “Revenue Flow-Through” is the year-over-year change in Adjusted EBITDA divided by the year-over-year change in Revenue.
- “Subscription Services Revenue” is a sale which has been recognized from a client that has purchased Onsite training or materials in connection with or subsequently to entering into a subscription arrangement. This is in contrast to a Legacy sale which is generally Onsite training or materials for a client which has not entered into a subscription arrangement.
- “Operating SG&A” is non-GAAP financial measure. It generally excludes stock-based compensation, changes to contingent earn-out liability and unusual or one-time charges. See the Reconciliation of Net Income or Loss to Adjusted EBITDA in additional financial information.

Definitions continued



- “Adjusted EBITDA” (earnings before interest, income taxes, depreciation, intangible asset 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.
- “Free Cash Flow” is defined as GAAP calculated cash flows from operating activities less capitalized expenditures for purchases of property and equipment, curriculum development, and content or license rights.
- The Company references Adjusted EBITDA and Free Cash Flow 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 or Free Cash Flow 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.
- “North America Revenue” consists of revenue generated by our direct offices in the United States and Canada, including government Revenue.
- “Constant Currency” Franklin Covey presents constant currency information to provide a framework for assessing how our underlying business performed excluding the effect of foreign currency rate fluctuations. There are several approaches that an entity can take to calculate constant currency information and Franklin Covey’s method may not be consistent with another entity’s constant currency calculation. To calculate this measure, Franklin Covey converts the actual monthly results of our foreign operations, including the results of our International Licenses, into \$USD at the respective prior year monthly exchange rate. The non-GAAP measure should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with generally accepted accounting principles (GAAP).
- “AAP Revenue Retention Rate” is equal to the revenue from retained All Access Pass customers plus win backs, divided by the prior period total All Access Pass recurring revenue.

