

# Investor Update

Fourth Quarter ~ Fiscal Year 2021



# Forward-looking Statements / Non-GAAP

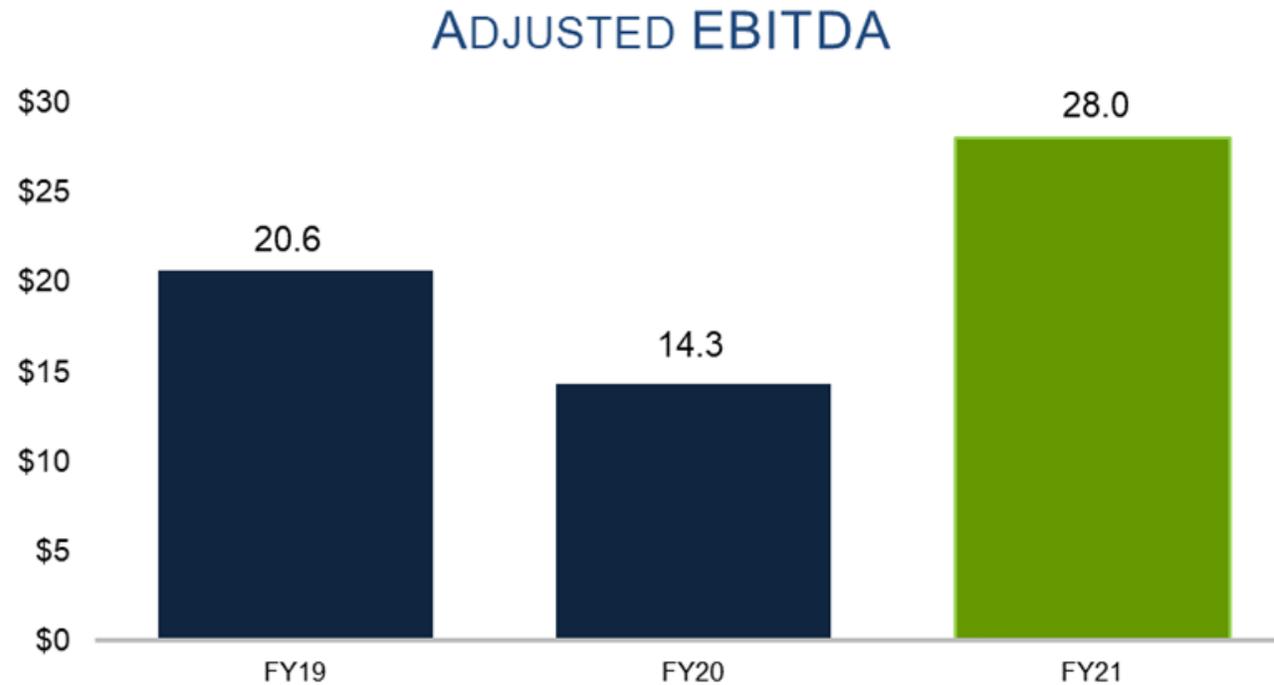
This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon management's current expectations and are subject to various risks and uncertainties including, but not limited to: The ability of the Company to stabilize and grow revenues; The acceptance of, and renewal rates for our subscription offerings, including the All Access Pass and *Leader in Me* memberships; The duration and recovery from the COVID-19 pandemic; The ability of the Company to hire productive sales professionals; General economic conditions; Competition in the Company's targeted marketplace; Market acceptance of new offerings or services and marketing strategies; Changes in the Company's market share; Changes in the size of the overall market for the Company's products; Changes in the training and spending policies of the Company's clients, and other factors identified and discussed in the Company's most recent Annual Report on Form 10-K and other periodic reports filed with the Securities and Exchange Commission. Many of these conditions are beyond our control or influence, any one of which may cause future results to differ materially from the Company's current expectations, and there can be no assurance the Company's actual future performance will meet management's expectations. These forward-looking statements are based on management's current expectations and we undertake no obligation to update or revise these forward-looking statements to reflect events or circumstances after the date of today's presentation, except as required by law.

The Securities and Exchange Commission's Regulation G applies to any public disclosure or release of material information that includes a non-GAAP financial measure. In the event of such a disclosure or release, Regulation G requires: (i) the presentation of the most directly comparable financial measure calculated and presented in accordance with GAAP and (ii) a reconciliation of the differences between the non-GAAP financial measure presented and the most directly comparable financial measure calculated and presented in accordance with GAAP. The required presentations and reconciliations are contained herein and can be found at our website at [www.franklincovey.com](http://www.franklincovey.com).

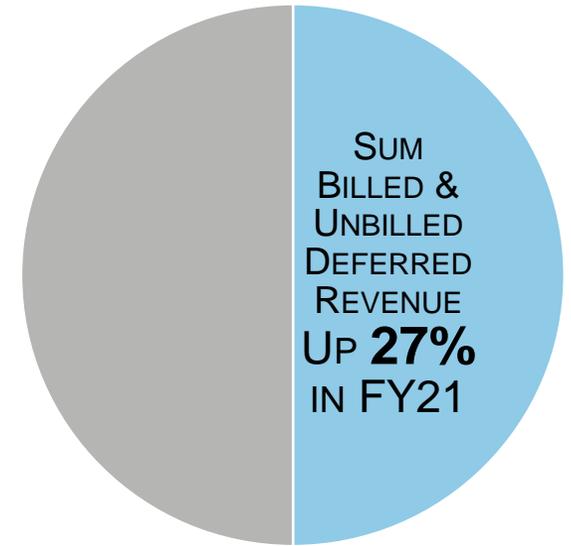
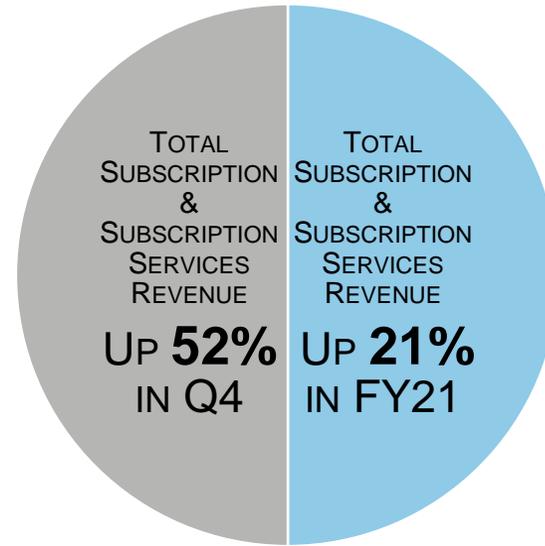
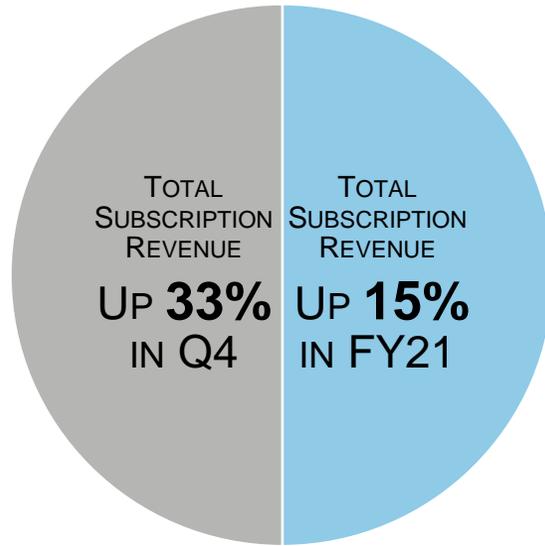
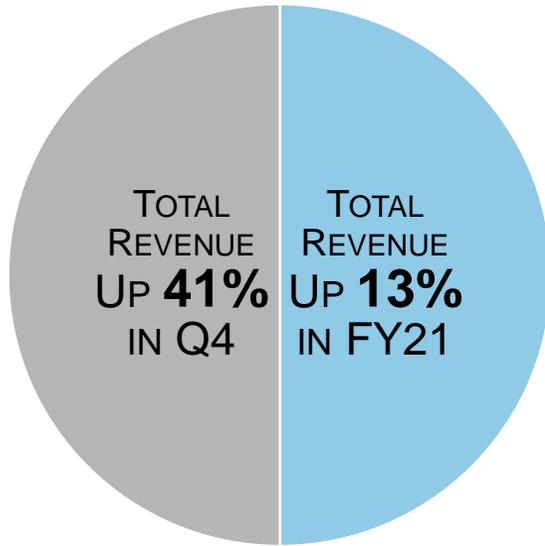
Franklin Covey uses the non-GAAP financial measure "earnings before interest, taxes, depreciation and amortization" ("EBITDA") to assess the operating results and effectiveness of the Company's ongoing training and consulting business. In addition, the Company also uses the non-GAAP financial measure "Adjusted EBITDA" as a representation of the Company's operating performance. Adjusted EBITDA is defined as pre-tax net income (loss), plus depreciation and amortization, net interest income (expense), and special charges, such as the gain on the sale of the Japan Products division in Fiscal 2010, restructuring costs, and asset impairment changes. The Company finds these non-GAAP financial measures to be useful when evaluating its operating and financial performance. These non-GAAP financial measures may not be comparable to similar measures used by other companies and should not be used as a substitute for revenue, net income (loss) or other GAAP operating measures.

# Franklin Covey: Strong Growth in Adjusted EBITDA

(in millions and unaudited)



# Strong Growth in Key Metrics



# Key Takeaways

STRONG  
FOURTH  
QUARTER AND  
FISCAL YEAR  
RESULTS

DRIVEN BY  
STRENGTH OF  
SUBSCRIPTION  
BUSINESS  
MODEL

WE ADDRESS  
CLIENTS MOST  
IMPORTANT  
CHALLENGES

SUBSCRIPTION &  
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SERVICES TO  
ACCOUNT FOR  
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CONTINUE TO  
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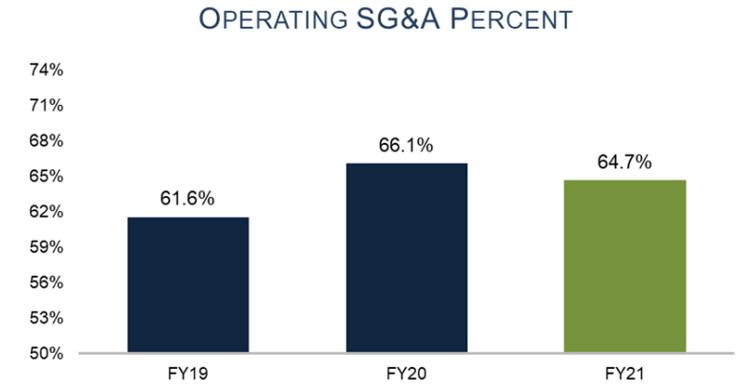
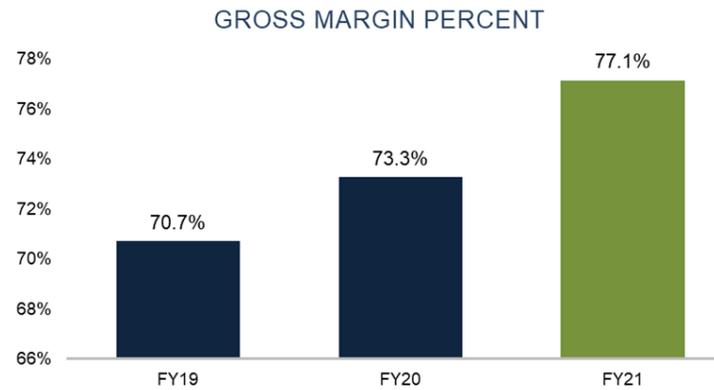
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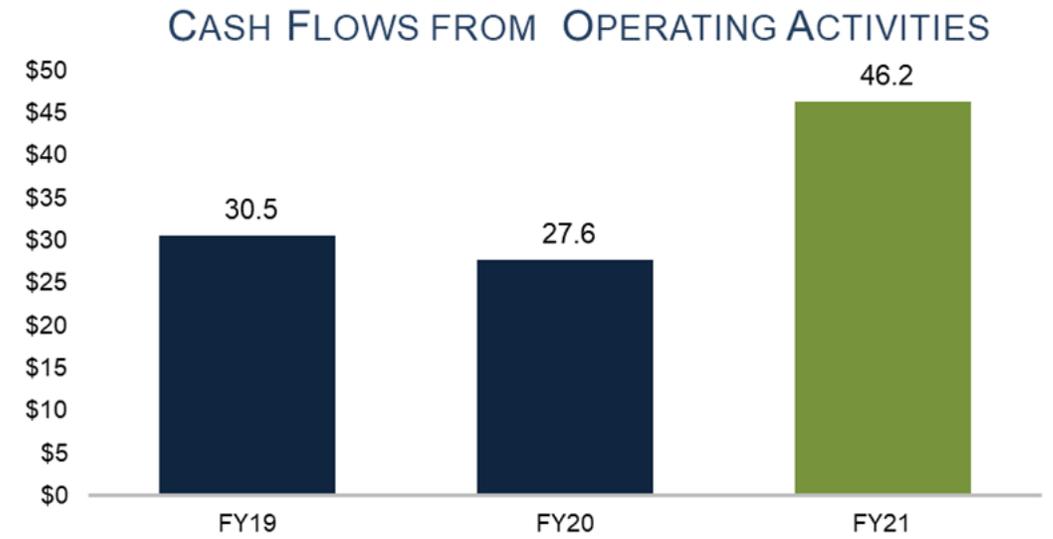
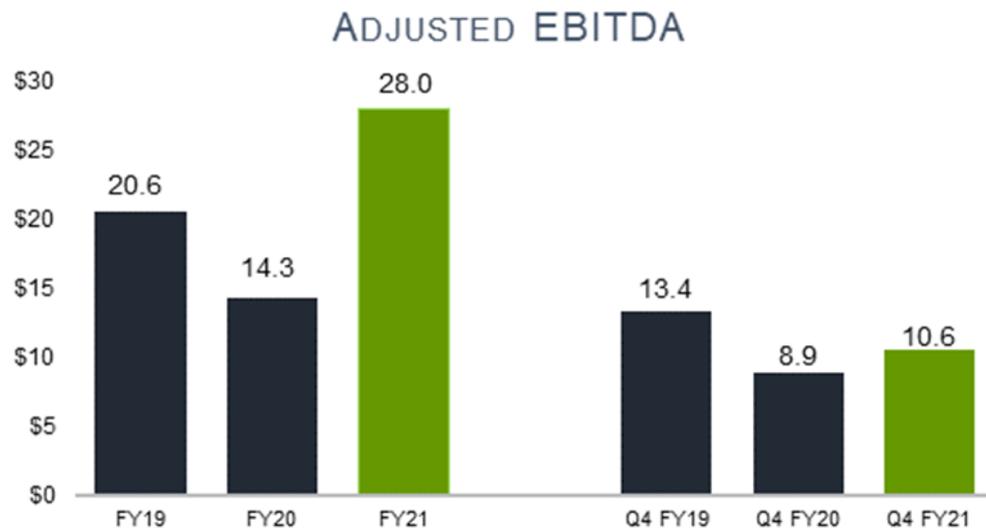
# Franklin Covey: Highlights

(in millions and unaudited)



# Franklin Covey: Highlights

(in millions and unaudited)



# Franklin Covey – Financial Summary

(in millions and unaudited)

	Q4FY21	Q4FY20	Chg	%	FY 2021	FY 2020	Chg	%	FY 2021	FY 2019	Chg	%
<b>Sales</b>	<b>\$ 68.9</b>	<b>\$ 49.0</b>	<b>\$ 20.0</b>	<b>40.7%</b>	<b>\$ 224.2</b>	<b>\$ 198.5</b>	<b>\$ 25.7</b>	<b>13.0%</b>	<b>\$ 224.2</b>	<b>\$ 225.4</b>	<b>(\$1.2)</b>	<b>-0.5%</b>
Cost of Sales	15.7	11.1	4.5	40.7%	51.3	53.1	(1.8)	-3.4%	51.3	66.0	(14.8)	-22.4%
<b>Gross Profit</b>	<b>53.3</b>	<b>37.9</b>	<b>15.4</b>	<b>40.7%</b>	<b>172.9</b>	<b>145.4</b>	<b>27.5</b>	<b>18.9%</b>	<b>172.9</b>	<b>159.3</b>	<b>13.6</b>	<b>8.5%</b>
Gross Profit %	77.3%	77.3%	(0)	bps	77.1%	73.3%	388	bps	77.1%	70.7%	644	bps
Operating SG&A	42.7	28.9	13.8	47.6%	144.9	131.1	13.9	10.6%	144.9	138.7	6.2	4.5%
Operating SG&A %	62.0%	59.1%	(287)	bps	64.7%	66.1%	139	bps	64.7%	61.6%	(311)	bps
<b>Adjusted EBITDA</b>	<b>10.6</b>	<b>8.9</b>	<b>1.6</b>	<b>18.5%</b>	<b>28.0</b>	<b>14.3</b>	<b>13.7</b>	<b>95.7%</b>	<b>28.0</b>	<b>20.6</b>	<b>7.4</b>	<b>35.7%</b>

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

# Net Cash Generated

(in thousands and unaudited)

	Q4 FY21	Q4 FY20	FY 2021	FY 2020
Reported Adjusted EBITDA	\$ 10,556	\$ 8,910	\$ 27,958	\$ 14,285
Adjustments				
Change in Deferred Revenue (related to subscription sales)	21,741	16,672	16,468	2,390
Costs deferred with Deferred Revenue	(2,966)	(2,331)	(2,027)	(162)
Amortization of capitalized development	862	908	3,445	3,950
Purchases of property and equipment	(417)	(847)	(1,602)	(4,183)
Capitalized curriculum development costs	(677)	(1,646)	(2,504)	(5,082)
Cash paid for interest	(435)	(529)	(2,069)	(2,280)
Net Cash Generated	\$ 28,664	\$ 21,137	\$ 39,669	\$ 8,918

Notes:

- Net Cash Generated is a measure used by management to monitor the amount of available cash generated by the operations of the company. Net Cash Generated includes the items listed above and excludes other cash activities shown on the Consolidated Statements of Cash Flows, such as cash paid for taxes, acquisitions, changes in working capital, other SG&A, and payments on term notes and financing obligations.
- Please refer to the Appendix for the definition of Adjusted EBITDA and for the reconciliation of Adjusted EBITDA to Net Income.
- Please also refer to the Condensed Consolidated Statements of Cash Flows.

# Cash Flows from Operating Activities

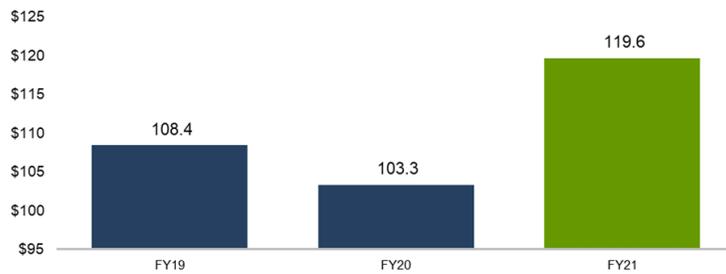
(in thousands and unaudited)

YEAR ENDED AUGUST 31,	2021	2020	2019
<i>In thousands</i>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 13,623	\$ (9,435)	\$ (1,023)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	11,196	11,270	11,359
Amortization of capitalized curriculum development costs	3,445	3,949	4,954
Deferred income taxes	(9,790)	9,094	(1,051)
Stock-based compensation expense	8,617	(573)	4,789
Change in the fair value of contingent consideration liabilities	193	(49)	1,334
Amortization of right-of-use operating lease assets	1,003	331	-
Changes in assets and liabilities, net of effect of acquired businesses:			
Decrease (increase) in accounts receivable, net	(14,266)	17,142	(1,770)
Decrease (increase) in inventories	463	552	(260)
Decrease in receivable from related party	-	26	535
Decrease (increase) in prepaid expenses and other assets	(880)	(767)	32
Increase (decrease) in accounts payable and accrued liabilities	14,372	(5,464)	2,932
Increase in deferred revenue	19,788	2,806	8,828
Increase (decrease) in income taxes payable/receivable	273	(794)	889
Decrease in other liabilities	(1,860)	(525)	(1,096)
<b>Net cash provided by operating activities</b>	<b>46,177</b>	<b>27,563</b>	<b>30,452</b>

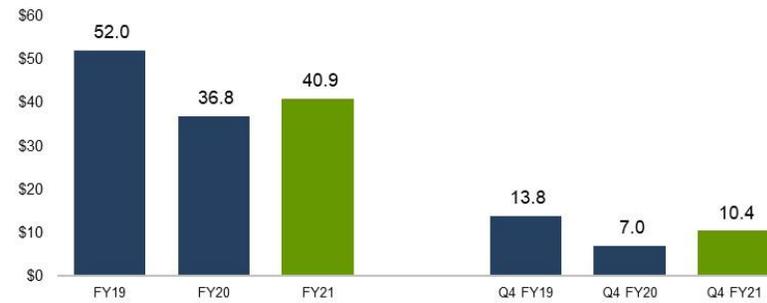
# Franklin Covey: Highlights

(in millions and unaudited)

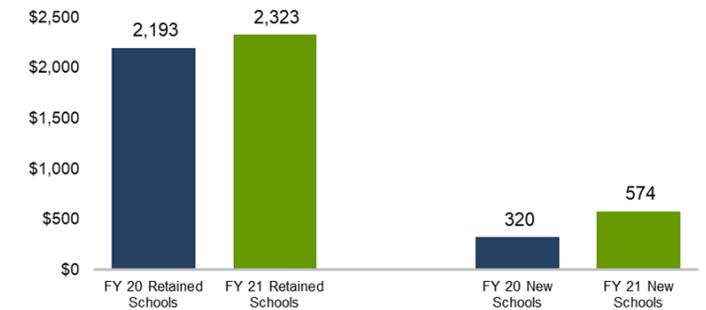
### NORTH AMERICA REVENUE



### INTERNATIONAL D.O. + ENTERPRISE LICENSEE



### EDUCATION (LIM) K-12 SCHOOLS



Note: this chart shows the number of new Leader in Me schools who contracted by the end of the 4th quarter.

# Key Takeaways

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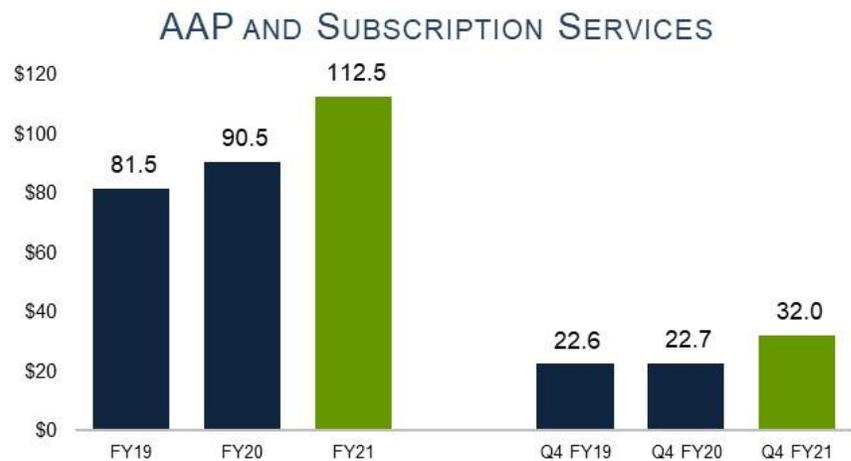
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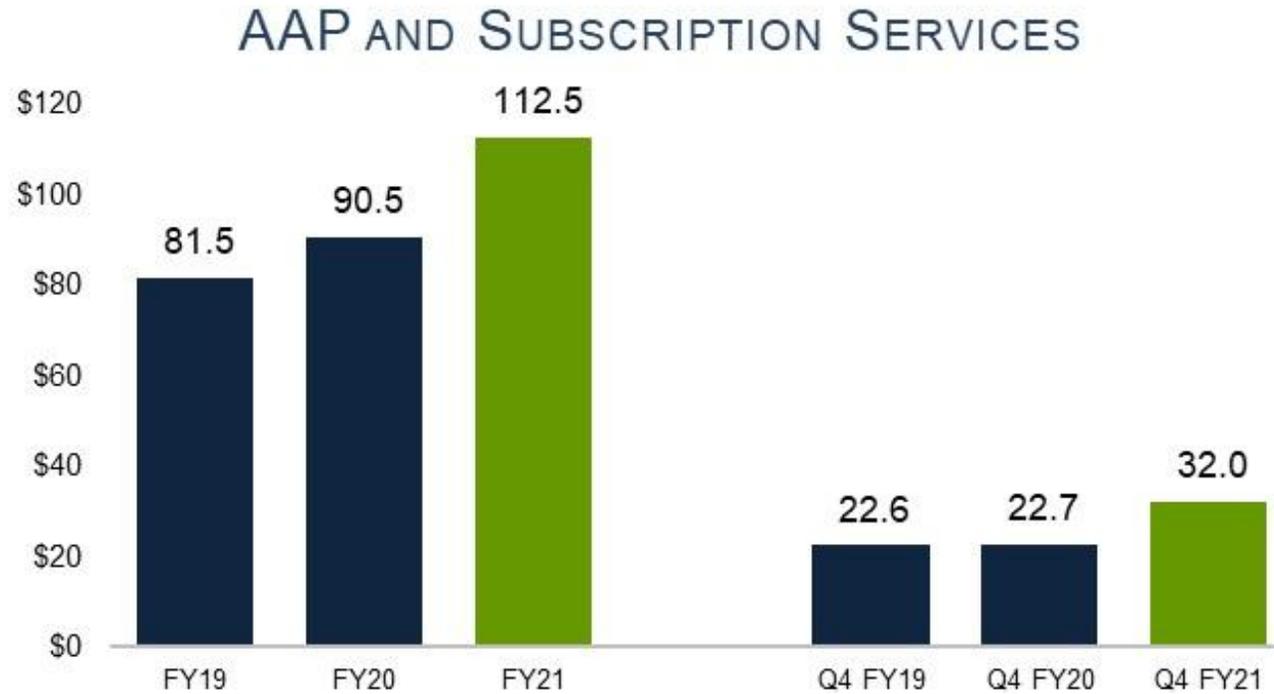
# Franklin Covey: Strength of Subscription Business Model

(in millions and unaudited)



# Enterprise: All Access Pass Subscription Services Increases

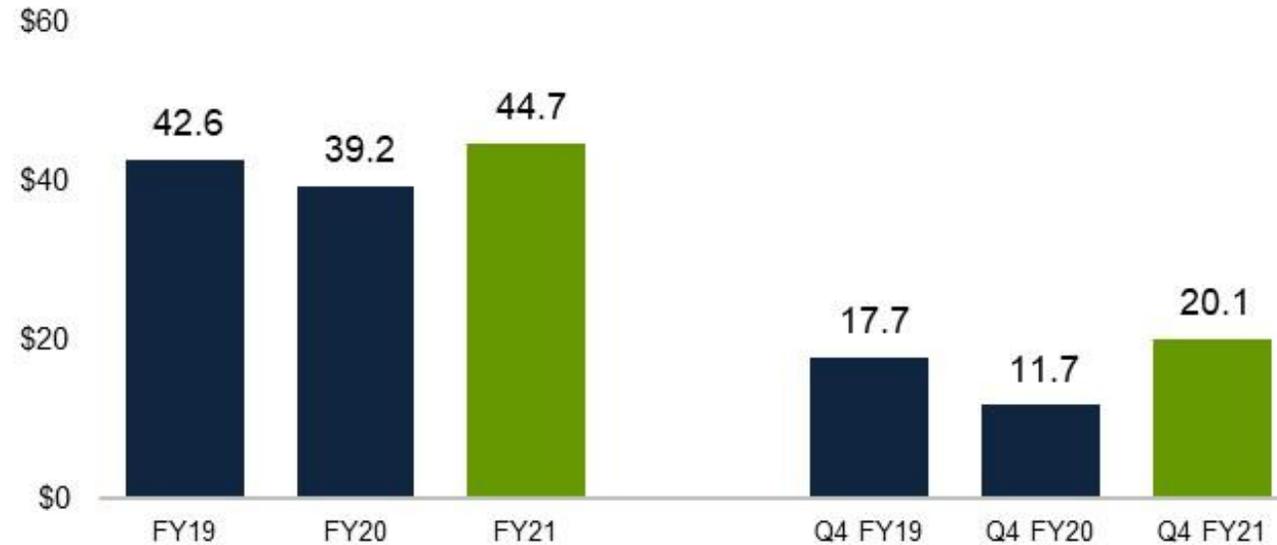
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# Education: Leader in Me Subscription Services Increases

(in millions and unaudited)

## EDUCATION SUBSCRIPTION PLUS SUBSCRIPTION SERVICES



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# It's clear that not all offerings generate equal levels of organizational impact



Individual access  
to information on  
a variety of personal topics

*Benefits individuals*



Individual  
skills and capabilities  
applied to the workplace

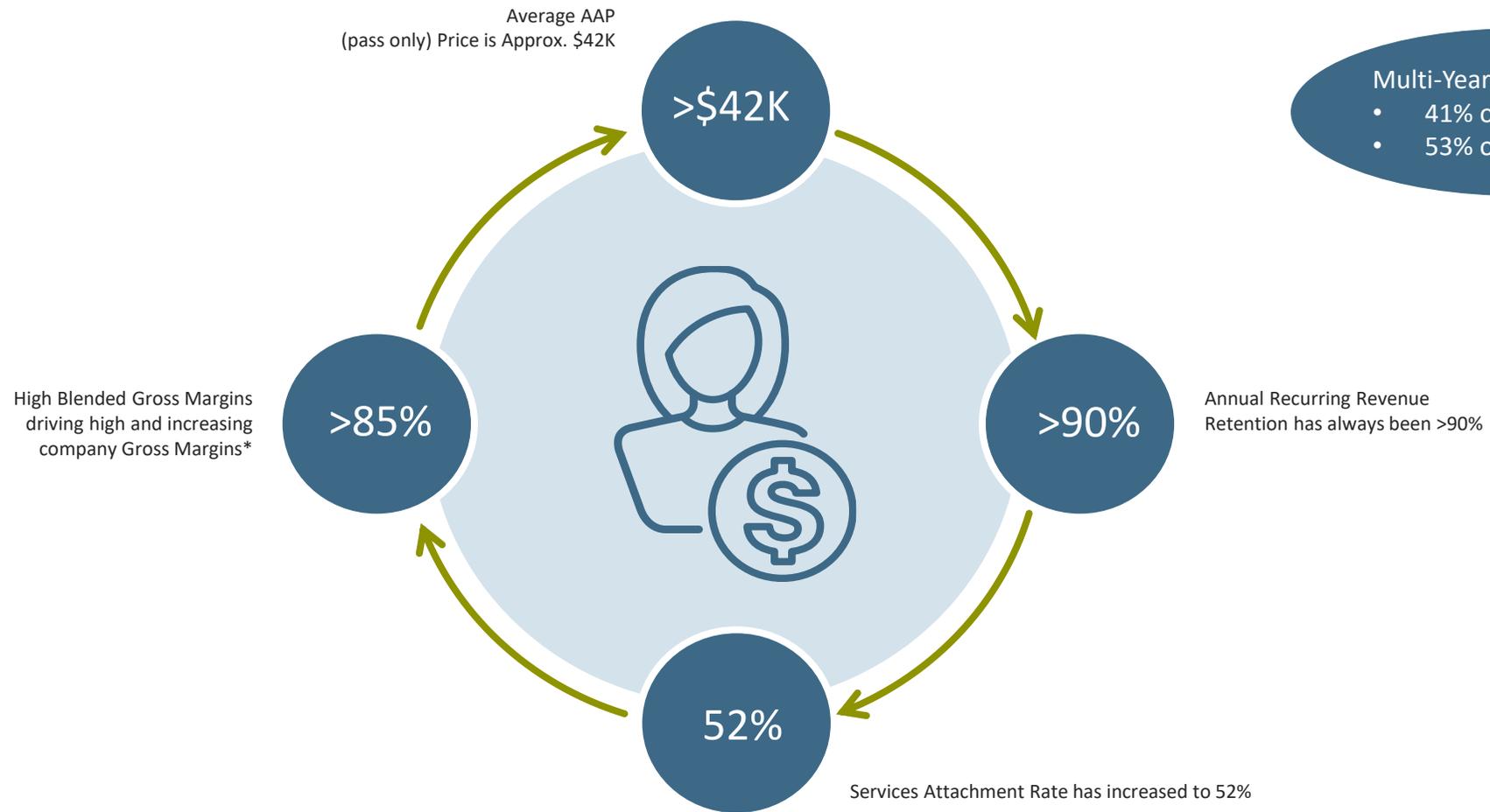


Collective behavior change  
against must-win  
organizational objectives

*Benefits individuals  
and organizations*



# Lifetime Customer Value Has Increased Significantly



(U.S./Canada/Government—August 31, 2021)

\*Enterprise Division Gross Margin - Blend between Subscription & Services

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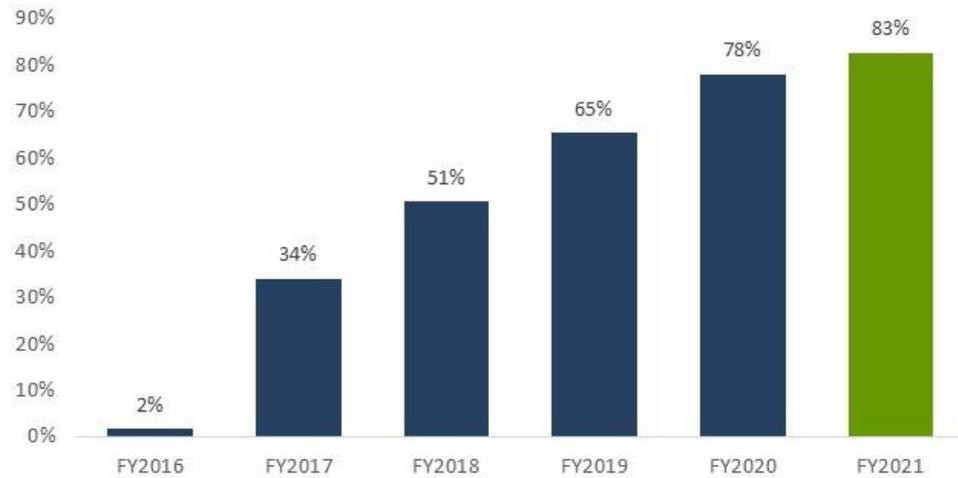
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# Enterprise

NORTH AMERICA PERCENT OF AAP & SUBSCRIPTION SERVICES TO TOTAL REVENUE



Percent of AAP Revenue to Total Revenue



# Number of Client Partners



# Growing Investments

**ROBERT GREGORY**  
PARTNERS

 FranklinCovey | A FRANKLINCOVEY COMPANY



**strive**

# Key Takeaways

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# Targets

2021  
Reported Adj EBITDA: \$28M

2022  
Reported Adj EBITDA: \$34-36M

2023  
Reported Adj EBITDA: \$44-46M

2024  
Reported Adj EBITDA: \$54-56M

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

# Appendix

# Other Information

## OTHER INCOME STATEMENT INFORMATION:

- Depreciation: \$6.2M in FY2021, expected to total approximately \$5.8M in FY2022.
- Amortization: \$5.0M in FY2021, expected to total approximately \$5.3M in FY2022.
- Net Interest and Discount: \$2.0M in FY2021, expected to total approximately \$1.8M in FY2022.
- Share-based Compensation, Impaired Assets, Restructuring, Accrued Earnout and Other totaling \$8.7M in FY2021; expected to total approximately \$9.6M in FY2022.
- Effective Tax Rate: Our normalized effective tax rate is expected to eventually be 26% to 30%, before unusual permanent book/tax differences and benefit of re-measuring deferred taxes. The actual tax rate could be a significantly different percentage, and we are not projecting an FY22 effective rate.

## OTHER INFORMATION:

- Capital Expenditures: \$1.6M in FY2021, expected to total approximately \$4.9M to \$5.8M in FY2022.
- Capitalized Curriculum excluding acquired content: \$2.5M in FY2021, expected to total approximately \$5.0M to \$6.0M in FY2022, including localization of AAP content, AAP content development, and Education content development.
- Share Count: 14,166K shares outstanding as of September 30, 2021. The Company's share count may increase due to the vesting and exercise of share-based awards and purchases by Employees under our Employee Stock Purchase Plan and decrease due to the company buying back shares.
- Number of salespersons: 273 on August 31, 2021.
- Impact of FX in FY21: increase of Sales \$2.2M in FY2021; increase to Adjusted EBITDA \$0.1M in FY2021.

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

# Franklin Covey – Financial Summary

(in millions and unaudited)

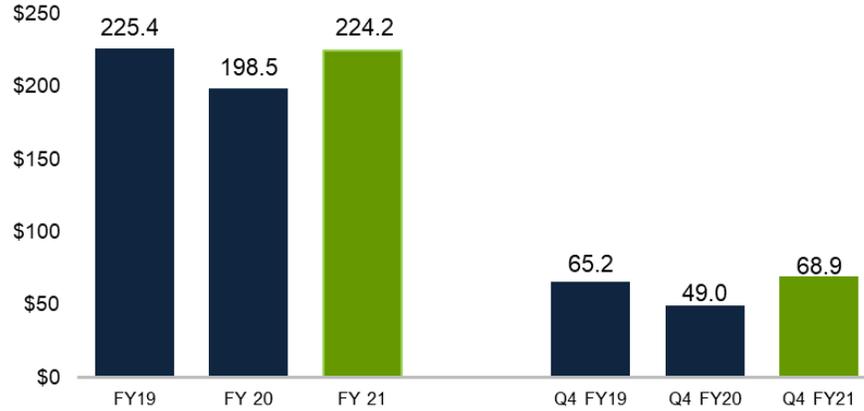
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Cost of Sales	15.7	11.1	4.5	40.7%	51.3	53.1	(1.8)	-3.4%	51.3	66.0	(14.8)	-22.4%
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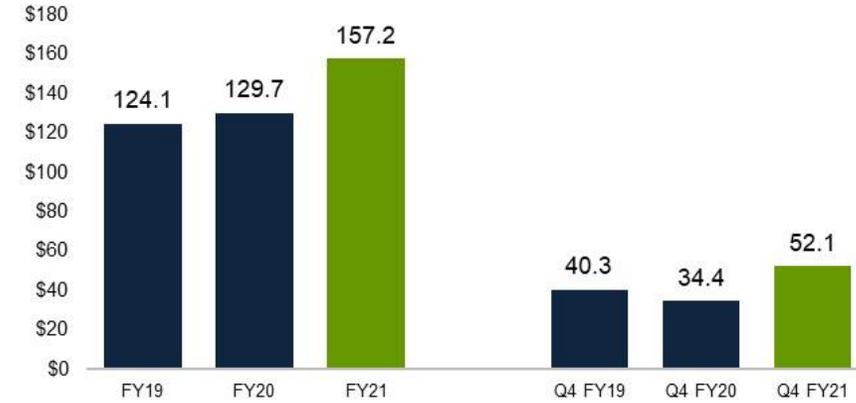
# Franklin Covey: Strong Revenue Momentum

(in millions and unaudited)

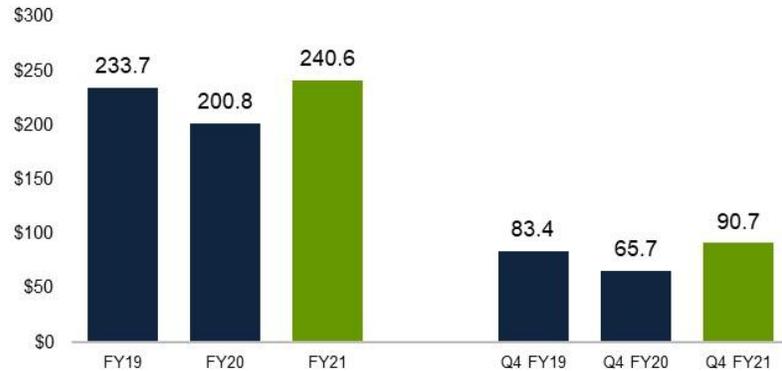
## REVENUE



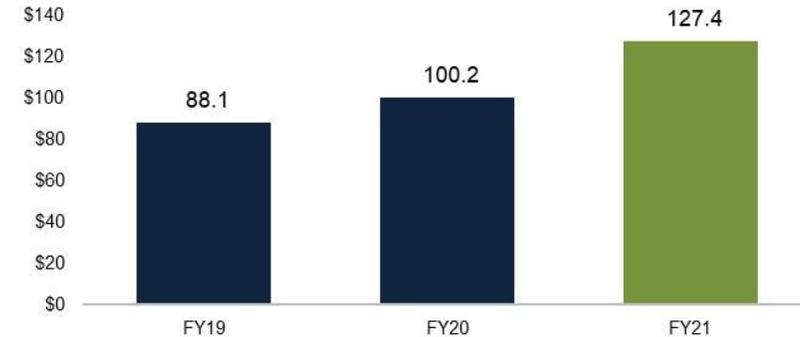
## SUBSCRIPTION AND RELATED SALES



## INVOICED

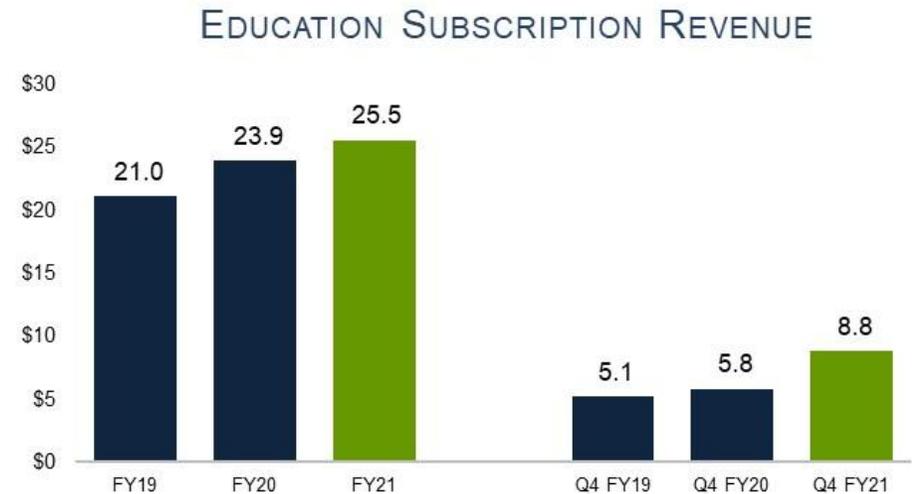
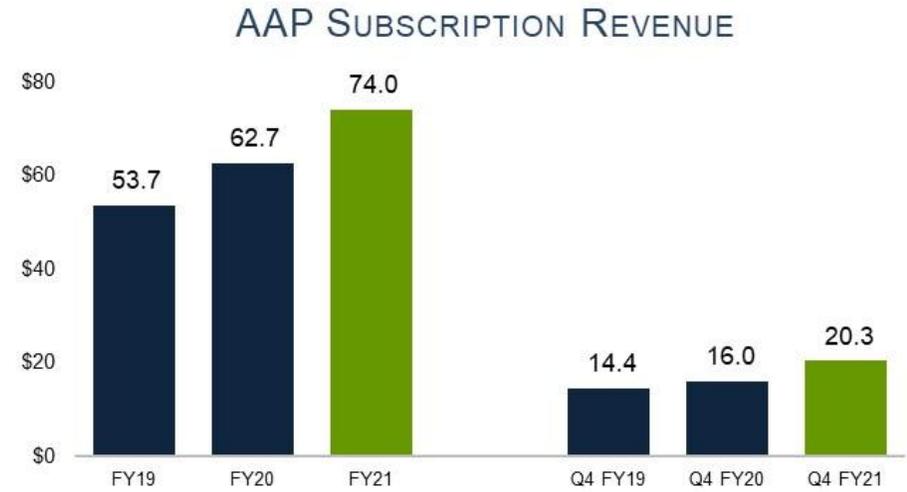


## DEFERRED & UNBILLED DEFERRED REVENUE



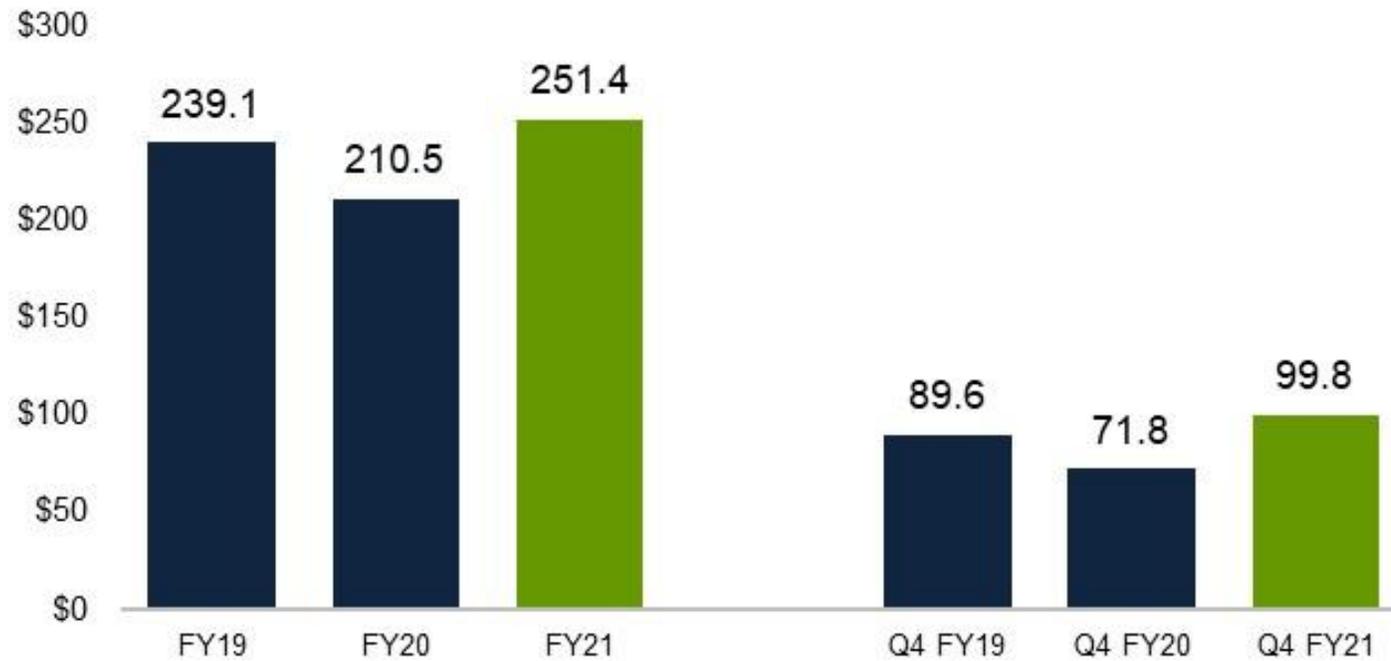
# Trends in the Business

(in millions and unaudited)



# Contracted

(in millions and unaudited)



# FranklinCovey – Contracts Signed

(in thousands and unaudited)

Fourth Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY21	FY20	Change	%	FY21	FY20	Change	%	FY21	FY20	Change	FY21	FY20	Change	%
Sales	46.0	34.3	11.8	34.4%	21.0	13.2	7.8	59.1%	1.9	1.5	0.4	68.9	49.0	20.0	40.7%
Change in Deferred Subscription Revenue	6.6	5.9	0.7	11.3%	15.2	10.8	4.5	41.3%	(0.0)	(0.0)	(0.0)	21.7	16.7	5.1	30.4%
Invoiced Amounts	52.6	40.2	12.4	31.0%	36.3	24.0	12.3	51.1%	1.8	1.5	0.3	90.7	65.7	25.0	38.1%
Change in Unbilled Deferred Revenue	8.7	6.1	2.6		0.4	0.1	0.3		(0.0)	-	(0.0)	9.1	6.2	2.9	
Total Contracts Signed	61.3	46.2	15.1	32.6%	36.6	24.1	12.6	52.3%	1.8	1.5	0.3	99.8	71.8	28.0	38.9%

Fiscal Year	Enterprise Division				Education Division				Corporate			Total Company			
	FY21	FY20	Change	%	FY21	FY20	Change	%	FY21	FY20	Change	FY21	FY20	Change	%
Sales	168.6	148.2	20.4	13.8%	48.9	43.4	5.5	12.7%	6.6	6.8	(0.2)	224.2	198.5	25.7	13.0%
Change in Deferred Subscription Revenue	9.5	1.9	7.6	392.0%	7.0	0.5	6.5	1444.1%	(0.1)	(0.0)	(0.1)	16.5	2.4	14.1	589.3%
Invoiced Amounts	178.2	150.2	28.0	18.6%	55.9	43.9	12.0	27.5%	6.6	6.8	(0.3)	240.6	200.8	39.8	19.8%
Change in Unbilled Deferred Revenue	10.7	9.4	1.3		0.1	0.3	(0.2)		(0.0)	(0.0)	-	10.8	9.7	1.1	
Total Contracts Signed	188.9	159.6	29.3	18.4%	56.0	44.1	11.8	26.8%	6.6	6.8	(0.3)	251.4	210.5	40.9	19.4%

Fourth Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY21	FY20	Change	%	FY21	FY20	Change	%	FY21	FY20	Change	FY21	FY20	Change	%
Deferred Subscription Revenue Balance	49.6	41.4	8.2	19.7%	27.4	19.2	8.3	43.2%	-	-	-	77.0	60.6	16.4	27.1%
Unbilled Deferred Revenue Balance	49.2	38.5	10.7	27.9%	1.2	1.1	0.1	6.4%	-	-	-	50.4	39.6	10.8	27.3%
Total	98.8	79.9	18.9	23.6%	28.6	20.3	8.3	41.2%	-	-	-	127.4	100.2	27.2	27.2%

Notes:

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

# Sales Information

(in millions and unaudited)

	FY2019					FY2020					FY 2021					
<u>Sales</u>	FY2018	Q1	Q2	Q3	Q4	FY2019	Q1	Q2	Q3	Q4	FY2020	Q1	Q2	Q3	Q4	FY2021
<b>Reported Net Sales</b>	209.8	53.8	50.4	56.0	65.2	225.4	58.6	53.7	37.1	49.0	198.5	48.3	48.2	58.7	68.9	224.2
Change in Deferred Revenue	11.4	(8.5)	(1.8)	0.3	18.3	8.3	(9.5)	(0.7)	(4.1)	16.7	2.4	(3.6)	1.6	(3.2)	21.7	16.5
<b>Invoiced Amount</b>	221.2	45.3	48.6	56.4	83.4	233.7	49.1	53.0	33.1	65.7	200.8	44.7	49.8	55.5	90.7	240.6
<b>Balance Sheet</b>																
<b>Roll-Forward of Deferred Subscription Revenue</b>																
Beginning Balance (deferred revenue)	36.4	48.4	41.4	39.6	39.9	48.4	58.2	48.7	48.0	43.9	58.2	60.6	57.0	58.5	55.3	60.6
Subscription Invoiced	69.7	9.8	15.9	19.3	37.8	82.8	11.6	20.6	18.2	38.5	88.9	18.0	24.4	22.7	50.8	115.9
Amounts Recorded to Revenue	(58.3)	(18.3)	(17.7)	(18.9)	(19.6)	(74.5)	(21.1)	(21.3)	(22.3)	(21.8)	(86.5)	(21.7)	(22.9)	(25.9)	(29.1)	(99.5)
Change in Deferred Revenue	11.4	(8.5)	(1.8)	0.3	18.3	8.3	(9.5)	(0.7)	(4.1)	16.7	2.4	(3.6)	1.6	(3.2)	21.7	16.4
FX, 606, and Other Changes	0.6	1.5	-	-	-	1.5	-	-	-	-	-	-	-	-	-	-
Ending Balance (Def Subscription Revenue)	48.4	41.4	39.6	39.9	58.2	58.2	48.7	48.0	43.9	60.6	60.6	57.0	58.5	55.3	77.0	77.0
<b>Unbilled Deferred Contracts</b>																
Beginning Balance (off balance sheet)	17.2	24.5	24.4	25.0	23.7	24.5	29.9	34.0	34.8	33.4	29.9	39.6	40.5	37.4	41.3	39.6
New Unbilled Contracts	20.2	1.4	4.6	3.5	12.8	22.3	7.0	8.5	4.7	13.2	33.5	5.8	5.3	9.0	17.2	37.3
Amounts Invoiced	(12.9)	(1.5)	(4.0)	(4.7)	(6.6)	(16.9)	(3.0)	(7.7)	(6.1)	(7.1)	(23.9)	(5.0)	(8.3)	(5.2)	(8.1)	(26.5)
Ending Balance (off balance sheet)	24.5	24.4	25.0	23.7	29.9	29.9	34.0	34.8	33.4	39.6	39.6	40.5	37.4	41.3	50.4	50.4
<b>Breakout of Deferred Sales (above)</b>																
<b>Subscription Sales (Invoiced Amounts)</b>																
All Access Pass Subscriptions	48.8	8.3	15.1	13.7	21.2	58.3	10.3	19.4	11.8	22.1	63.6	15.9	22.5	16.9	25.8	81.0
Education Subscription Contracts	19.2	0.8	0.4	5.2	15.4	21.9	1.2	0.7	6.1	16.2	24.2	1.7	1.4	5.6	24.0	32.7
Other	1.7	0.7	0.5	0.3	1.2	2.7	0.2	0.5	0.3	0.2	1.2	0.4	0.6	0.2	1.0	2.2
Total Additions to balance sheet	69.7	9.8	15.9	19.3	37.8	82.8	11.6	20.6	18.2	38.5	88.9	18.0	24.4	22.7	50.8	115.9

**Notes:**

- Invoiced Amounts represent the amount billed (invoiced) in the period. The Invoiced Amount is equal to Reported Net Sales, plus the associated change in Deferred Subscription Sales on the balance sheet (adjusted for FX). AAP Subscriptions, Education Memberships, and Other Invoiced Subscriptions are all Invoiced Amounts. Unbilled portions of multi-year agreements are not included.
- The Difference between Change in Deferred Sales, which is added to Reported Net Sales to equal the Invoiced Amount, and the Change in Deferred Sales on the balance sheet is adjustments for FX, acquisitions and other. Q1 of FY2019 also includes the adjustment attributed to the adoption of Topic 606.

- Certain historical amounts have been adjusted to conform with the current presentation.
- Deferred Revenue is primarily a current liability. However, a small portion is long-term and recorded as a part of Other Liabilities. See Notes in the 10-K.
- Education Subscription Contracts consists of membership subscriptions which is recognized as sales over the course of the contract and Consulting which is recognized as sales upon delivery. These combined performance obligations are contracted, invoiced and paid together. See Deferred Subscription Revenue in the Definitions

# Reconciliation of Net Income (Loss) to Adjusted EBITDA

(in thousands and unaudited)

	Quarter Ended		Fiscal Year Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Reconciliation of net income (loss) to Adjusted EBITDA:				
Net income (loss)	\$ 1,807	\$ 980	\$ 13,623	\$ (9,435)
Adjustments:				
Interest expense, net	449	515	2,026	2,262
Income tax provision (benefit)	2,057	2,246	(7,548)	10,231
Amortization	1,503	1,102	5,006	4,606
Depreciation	1,286	1,739	6,190	6,664
Stock-based compensation	3,490	887	8,617	(573)
Business acquisition costs	-	-	300	-
Increase (decrease) in the fair value of contingent consideration liabilities	28	318	193	(49)
Restructuring costs	-	1,636	-	1,636
Government COVID assistance	(64)	(514)	(299)	(514)
Gain from insurance settlement	-	-	(150)	(933)
Knowledge Capital wind-down costs	-	-	-	389
Adjusted EBITDA	<u>\$ 10,556</u>	<u>\$ 8,909</u>	<u>\$ 27,958</u>	<u>\$ 14,284</u>
Adjusted EBITDA margin	15.3%	18.2%	12.5%	7.2%

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

# Additional Financial Information

(in thousands and unaudited)

	Quarter Ended		Fiscal Year Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
<b>Sales by Division/Segment:</b>				
Enterprise Division:				
Direct offices	\$ 44,422	\$ 32,936	\$ 159,608	\$ 139,780
International licensees	1,616	1,332	9,036	8,451
	<u>46,038</u>	<u>34,268</u>	<u>168,644</u>	<u>148,231</u>
Education Division	21,028	13,215	48,902	43,405
Corporate and other	1,879	1,511	6,622	6,820
	<u>1,879</u>	<u>1,511</u>	<u>6,622</u>	<u>6,820</u>
<b>Consolidated</b>	<u>\$ 68,945</u>	<u>\$ 48,994</u>	<u>\$ 224,168</u>	<u>\$ 198,456</u>
<b>Gross Profit by Division/Segment:</b>				
Enterprise Division:				
Direct offices	\$ 36,215	\$ 26,924	\$ 129,416	\$ 108,144
International licensees	1,273	983	7,727	6,679
	<u>37,488</u>	<u>27,907</u>	<u>137,143</u>	<u>114,823</u>
Education Division	15,262	9,271	32,771	27,099
Corporate and other	518	676	2,988	3,448
	<u>518</u>	<u>676</u>	<u>2,988</u>	<u>3,448</u>
<b>Consolidated</b>	<u>\$ 53,268</u>	<u>\$ 37,854</u>	<u>\$ 172,902</u>	<u>\$ 145,370</u>
<b>Adjusted EBITDA by Division/Segment:</b>				
Enterprise Division:				
Direct offices	\$ 6,211	\$ 6,899	\$ 27,948	\$ 17,694
International licensees	(11)	(290)	3,586	2,406
	<u>6,200</u>	<u>6,609</u>	<u>31,534</u>	<u>20,100</u>
Education Division	6,823	3,617	4,818	(90)
Corporate and other	(2,467)	(1,317)	(8,394)	(5,726)
	<u>(2,467)</u>	<u>(1,317)</u>	<u>(8,394)</u>	<u>(5,726)</u>
<b>Consolidated</b>	<u>\$ 10,556</u>	<u>\$ 8,909</u>	<u>\$ 27,958</u>	<u>\$ 14,284</u>

# Condensed Consolidated Balance Sheets

(in thousands and unaudited)

	August 31, 2021	August 31, 2020		August 31, 2021	August 31, 2020
<u>Assets</u>			<u>Liabilities and Shareholders' Equity</u>		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 47,417	\$ 27,137	Current portion of notes payable	\$ 5,835	\$ 5,000
Accounts receivable, less allowance for doubtful accounts of \$4,643 and \$4,159	70,680	56,407	Current portion of financing obligation	2,887	2,600
Inventories	2,496	2,974	Accounts payable	6,948	5,622
Prepaid expenses and other current assets	16,115	15,146	Deferred subscription revenue	74,772	59,289
Total current assets	136,708	101,664	Other deferred revenue	11,117	7,389
			Accrued liabilities	34,980	22,628
Property and equipment, net	11,525	15,723	Total current liabilities	136,539	102,528
Intangible assets, net	50,097	47,125	Notes payable, less current portion	12,975	15,000
Goodwill	31,220	24,220	Financing obligation, less current portion	11,161	14,048
Deferred income tax assets	4,951	1,094	Other liabilities	8,741	9,110
Other long-term assets	15,153	15,611	Deferred income tax liabilities	375	5,298
	\$ 249,654	\$ 205,437	Total liabilities	169,791	145,984
			Shareholders' equity:		
			Common stock	1,353	1,353
			Additional paid-in capital	214,888	211,920
			Retained earnings	63,591	49,968
			Accumulated other comprehensive income	709	641
			Treasury stock at cost, 12,889 and 13,175 shares	(200,678)	(204,429)
			Total shareholders' equity	79,863	59,453
				\$ 249,654	\$ 205,437

# Condensed Consolidated Statements of Operations

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

	Quarter Ended		Fiscal Year Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Net sales	\$ 68,945	\$ 48,994	\$ 224,168	\$ 198,456
Cost of sales	15,677	11,140	51,266	53,086
Gross profit	<u>53,268</u>	<u>37,854</u>	<u>172,902</u>	<u>145,370</u>
Selling, general, and administrative	42,676	28,749	144,988	129,979
Stock-based compensation	3,490	887	8,617	(573)
Restructuring costs	-	1,636	-	1,636
Depreciation	1,286	1,739	6,190	6,664
Amortization	1,503	1,102	5,006	4,606
Income from operations	<u>4,313</u>	<u>3,741</u>	<u>8,101</u>	<u>3,058</u>
Interest expense, net	<u>(449)</u>	<u>(515)</u>	<u>(2,026)</u>	<u>(2,262)</u>
Income before income taxes	<u>3,864</u>	<u>3,226</u>	<u>6,075</u>	<u>796</u>
Income tax benefit (provision)	<u>(2,057)</u>	<u>(2,246)</u>	<u>7,548</u>	<u>(10,231)</u>
Net income (loss)	<u>\$ 1,807</u>	<u>\$ 980</u>	<u>\$ 13,623</u>	<u>\$ (9,435)</u>
Net income (loss) per common share:				
Basic	\$ 0.13	\$ 0.07	\$ 0.97	\$ (0.68)
Diluted	0.13	0.07	0.96	(0.68)
Weighted average common shares:				
Basic	14,156	13,876	14,090	13,892
Diluted	14,175	13,941	14,143	13,892
Other data:				
Adjusted EBITDA <sup>(1)</sup>	<u>\$ 10,556</u>	<u>\$ 8,909</u>	<u>\$ 27,958</u>	<u>\$ 14,284</u>

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

# Enterprise Division - Financial Summary

(in millions and unaudited)

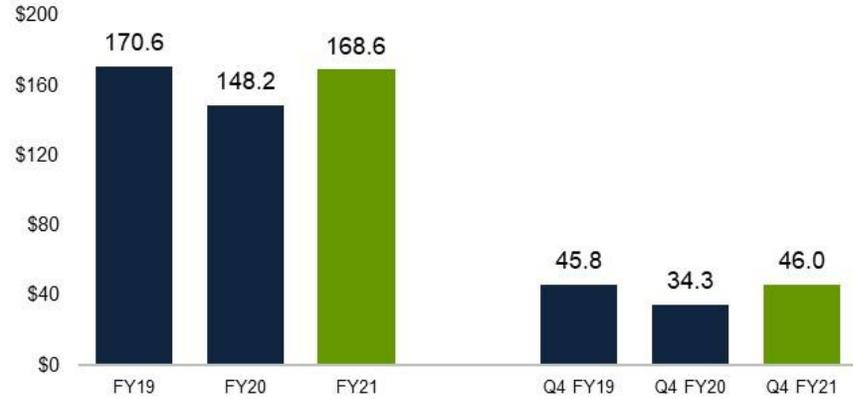
	Q4FY21	Q4FY20	Chg	%	FY 2021	FY 2020	Chg	%	FY 2021	FY 2019	Chg	%
<b>Sales</b>	<b>\$ 46.0</b>	<b>\$ 34.3</b>	<b>\$ 11.8</b>	<b>34.4%</b>	<b>\$ 168.6</b>	<b>\$ 148.2</b>	<b>\$ 20.4</b>	<b>13.8%</b>	<b>\$ 168.6</b>	<b>\$ 170.6</b>	<b>(\$2.0)</b>	<b>-1.2%</b>
Cost of Sales	8.5	6.4	2.2	34.4%	31.5	33.4	(1.9)	-5.7%	31.5	43.7	(12.2)	-27.9%
<b>Gross Profit</b>	<b>37.5</b>	<b>27.9</b>	<b>9.6</b>	<b>34.3%</b>	<b>137.1</b>	<b>114.8</b>	<b>22.3</b>	<b>19.4%</b>	<b>137.1</b>	<b>127.0</b>	<b>10.2</b>	<b>8.0%</b>
Gross Profit %	81.4%	81.4%	(1)	bps	81.3%	77.5%	386	bps	81.3%	74.4%	691	bps
Operating SG&A	31.3	21.3	10.0	46.9%	105.6	94.7	10.9	11.5%	105.6	101.5	4.2	4.1%
Operating SG&A %	68.0%	62.2%	(581)	bps	62.6%	63.9%	128	bps	62.6%	59.5%	(317)	bps
<b>Adjusted EBITDA</b>	<b>6.2</b>	<b>6.6</b>	<b>(0.4)</b>	<b>-6.2%</b>	<b>31.5</b>	<b>20.1</b>	<b>11.4</b>	<b>56.9%</b>	<b>31.5</b>	<b>25.5</b>	<b>6.0</b>	<b>23.5%</b>

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

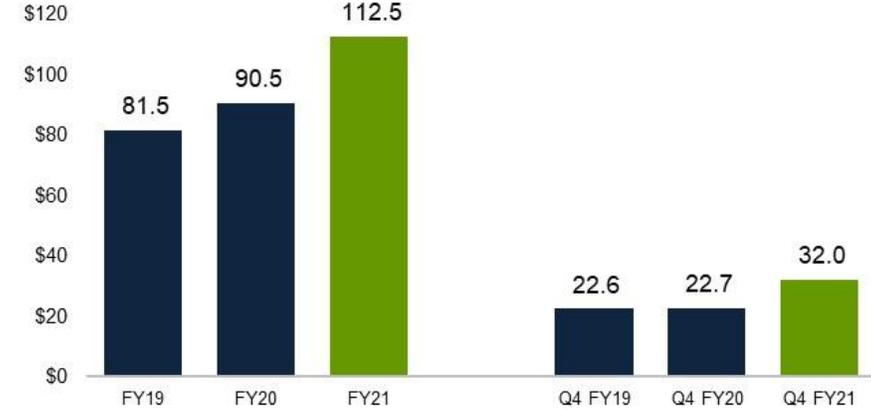
# Enterprise Division - Strong Revenue Momentum

(in millions and unaudited)

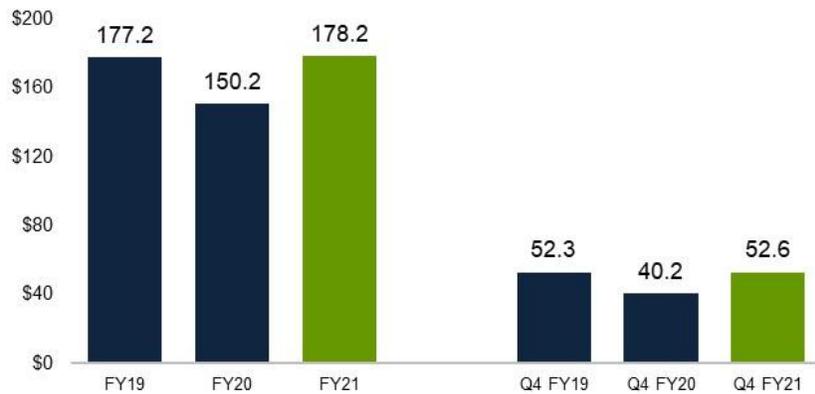
## SALES



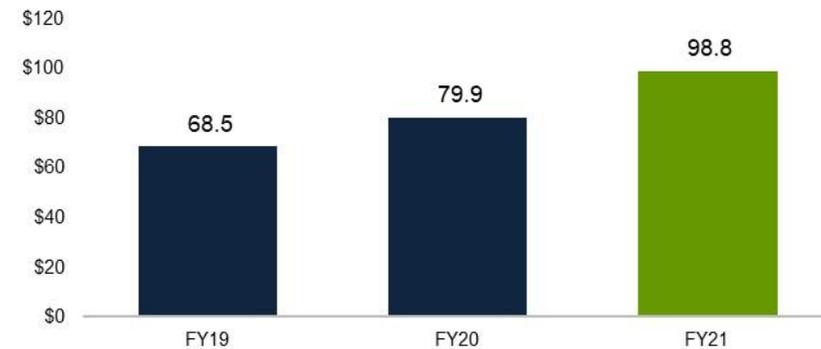
## AAP AND SUBSCRIPTION SERVICES



## INVOICED



## DEFERRED & UNBILLED DEFERRED REVENUE



# Enterprise Division - AAP & Related Revenue

(in millions and unaudited)

	<i>Fiscal 2021</i>	<i>Fiscal 2020</i>	<i>Fiscal 2019</i>
AAP Sales	\$74.0	\$62.7	\$53.7
AAP Add on Sales*	38.5	27.8	27.9
<b>Total AAP and Related</b>	<b>112.5</b>	<b>90.5</b>	<b>81.5</b>
<b>Percent of AAP and Related Sales to Total Enterprise Sales</b>	<b>67%</b>	<b>61%</b>	<b>48%</b>
Legacy Sales	26.7	32.9	53.0
International licensees	9.0	8.5	12.9
Other Sales	20.4	16.4	23.2
<b>Total Enterprise Sales</b>	<b>\$168.6</b>	<b>\$148.2</b>	<b>\$170.6</b>

	<i>Fiscal 2021</i>	<i>Fiscal 2020</i>	<i>Fiscal 2019</i>
North America Sales	\$119.6	\$103.3	\$108.4
International Direct Office Sales	31.9	28.3	39.1
Other Sales	8.1	8.1	10.2
<b>Total Direct Office Division Sales</b>	<b>159.6</b>	<b>139.8</b>	<b>157.8</b>
International Licensees	9.0	8.5	12.9
<b>Total Enterprise Sales</b>	<b>\$168.6</b>	<b>\$148.2</b>	<b>\$170.6</b>

	<i>Q4FY21</i>	<i>Q3FY21</i>	<i>Q2FY21</i>	<i>Q1FY 21</i>	<i>Q4 FY20</i>
	\$20.3	\$19.2	\$17.5	\$17.0	\$16.0
	11.7	10.5	7.3	9.0	6.6
	<b>32.0</b>	<b>29.7</b>	<b>24.8</b>	<b>26.0</b>	<b>22.7</b>
	<b>70%</b>	<b>66%</b>	<b>65%</b>	<b>66%</b>	<b>66%</b>
	7.4	7.3	6.3	5.8	6.2
	1.6	2.4	2.4	2.6	1.3
	5.1	5.7	4.6	5.0	4.0
	<b>\$46.0</b>	<b>\$45.1</b>	<b>\$38.2</b>	<b>\$39.3</b>	<b>\$34.3</b>

	<i>Q4FY21</i>	<i>Q3FY21</i>	<i>Q2FY21</i>	<i>Q1FY 21</i>	<i>Q4 FY20</i>
	\$33.6	\$31.6	\$27.0	\$27.4	\$25.7
	8.7	8.8	7.0	7.3	5.7
	2.1	2.3	1.8	2.0	1.6
	44.4	42.7	35.7	36.7	32.9
	1.6	2.4	2.4	2.6	1.3
	<b>\$46.0</b>	<b>\$45.1</b>	<b>\$38.2</b>	<b>\$39.3</b>	<b>\$34.3</b>

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

Legacy Sales are the sales in areas where AAP is being offered that are not associated with an AAP sale. If a historical Legacy client purchases an AAP, all future facilitator materials or consulting sales from that client are considered to be AAP related.

# Education Division - Financial Summary

(in millions and unaudited)

	Q4FY21	Q4FY20	Chg	%	FY 2021	FY 2020	Chg	%	FY 2021	FY 2019	Chg	%
<b>Sales</b>	<b>\$ 21.0</b>	<b>\$ 13.2</b>	<b>\$ 7.8</b>	<b>59.1%</b>	<b>\$ 48.9</b>	<b>\$ 43.4</b>	<b>\$ 5.5</b>	<b>12.7%</b>	<b>\$ 48.9</b>	<b>\$ 48.9</b>	<b>\$ 0.0</b>	<b>0.0%</b>
Cost of Sales	5.8	3.9	1.8	46.2%	16.1	16.3	(0.2)	-1.1%	16.1	18.5	(2.4)	-12.8%
<b>Gross Profit</b>	<b>15.3</b>	<b>9.3</b>	<b>6.0</b>	<b>64.6%</b>	<b>32.8</b>	<b>27.1</b>	<b>5.7</b>	<b>20.9%</b>	<b>32.8</b>	<b>30.4</b>	<b>2.4</b>	<b>7.9%</b>
Gross Profit %	72.6%	70.2%	242	bps	67.0%	62.4%	458	bps	67.0%	62.1%	487	bps
Operating SG&A	8.4	5.7	2.8	49.2%	28.0	27.2	0.8	2.8%	28.0	26.8	1.1	4.2%
Operating SG&A %	40.1%	42.8%	266	bps	57.2%	62.6%	548	bps	57.2%	54.9%	(229)	bps
<b>Adjusted EBITDA</b>	<b>6.8</b>	<b>3.6</b>	<b>3.2</b>	<b>88.6%</b>	<b>4.8</b>	<b>(0.1)</b>	<b>4.9</b>	<b>-5460.4%</b>	<b>4.8</b>	<b>3.6</b>	<b>1.3</b>	<b>35.6%</b>

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

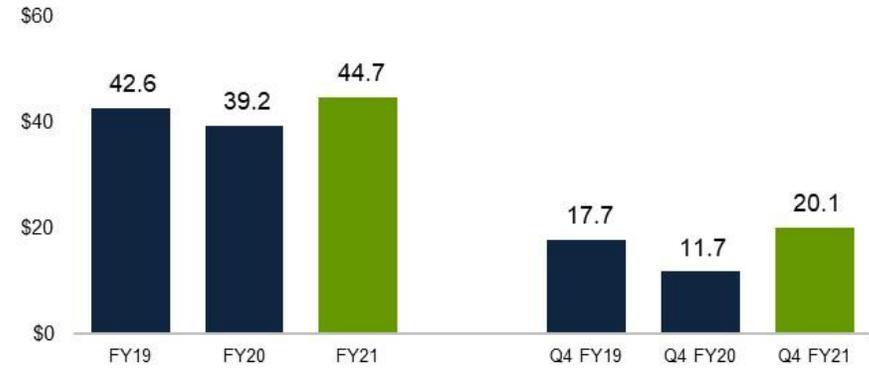
# Education Division - Revenue Momentum

(in millions and unaudited)

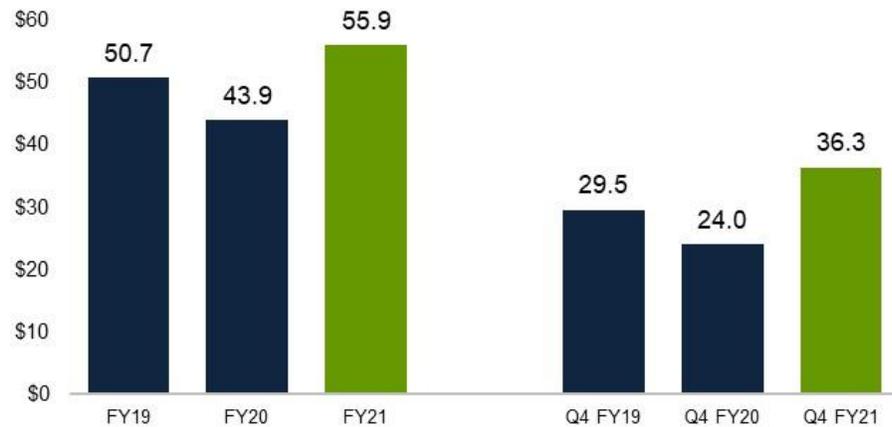
## SALES



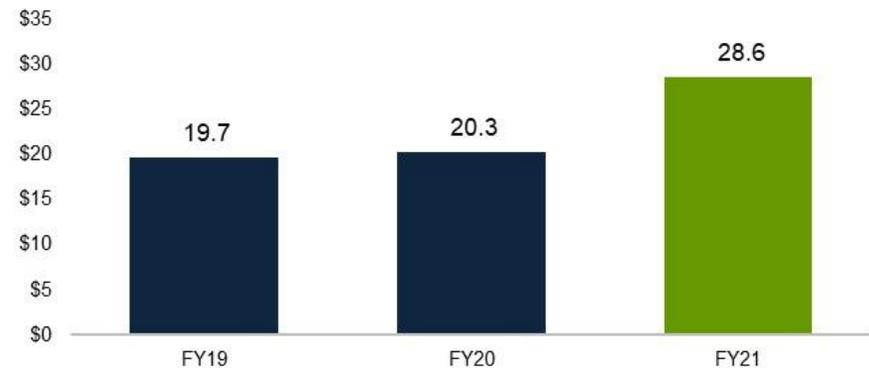
## SUBSCRIPTION PLUS SUBSCRIPTION SERVICES



## INVOICED



## DEFERRED & UNBILLED DEFERRED REVENUE



# Number of Client Partners



# Definitions

- “Deferred Subscription Revenue” primarily consists of billings or payments received in advance of revenue being recognized from subscription services. Deferred revenue is recognized as sales as the revenue recognition criteria are met. The Company generally invoices customers in annual installments upon execution of a contract. With the Leader in Me offering, the contract includes both membership and Onsite consulting which can be invoiced to the client in one lump sum. In this circumstance, the entire lump sum is included in Deferred Revenue. The Education Deferred Revenue related to the LIM is recognized as revenue over the life of the contract whereas the consulting is recognized when the consulting takes place. The deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, contract duration, invoice timing and contract size. When Management refers to Deferred Revenue or the change in Deferred Revenue it is primarily referring to the subscription related portion and not the customer deposits and other portions.
- “Unbilled Deferred Revenue” is an operational measure that represents future billings under our non-cancelable subscription agreements that have not been invoiced and accordingly are not recorded in our recognized revenue or deferred revenue.
- “Invoiced” is the sum of reported Net Sales plus the change in Deferred Revenue reported on the balance sheet (a portion of which is recorded as a current liability and a portion as a long-term liability and represents the amount of billings during the period). We typically invoice our customers annually upon execution of the contract or subscription renewals. Our clients frequently prepay for products and services, which prepayment is included in amounts invoiced and corresponding Deferred Revenue. Invoiced amounts does not include items such as deposits that are generally refundable at the client’s request prior to the satisfaction of the performance obligation.
- “Contracted” is the sum of Invoiced Amounts plus the Change in Unbilled Deferred Revenue (not recorded on the balance sheet) and, as the term reflects represents, the total amount of contracts with customers that were entered into during the period.
- “Sales Flow-Through” is the year-over-year change in Adjusted EBITDA divided by the year-over-year change in sales.
- “Add-on Sales” is a sale which has been recognized from a client that has purchased Onsite training or materials in connection with or subsequently to entering into a subscription arrangement. This is in contrast to a Legacy sale which is generally Onsite training or materials for a client which has not entered into a subscription arrangement.

# Definitions

- “Operating SG&A” is non-GAAP financial measure. It generally excludes stock-based compensation, changes to contingent earn-out liability and unusual or one-time charges. See the Reconciliation of Net Income or Loss to Adjusted EBITDA in additional financial information.
- “Adjusted EBITDA” (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. A reconciliation of “Adjusted EBITDA,” to consolidated net income (loss), the most comparable GAAP financial measure is provided within this presentation. The Company references this non-GAAP financial measure in its decision making because it provides supplemental information that facilitates consistent internal comparisons to the historical operating performance of prior periods and the Company believes it provides investors with greater transparency to evaluate operational activities and financial results. We are unable to provide a reconciliation of forward-looking estimates of non-GAAP Adjusted EBITDA to GAAP measures because certain information needed to make a reasonable forward-looking estimate is difficult to estimate and dependent on future events which may be uncertain or out of our control, including the amount of AAP contracts invoiced, the number of AAP contracts that are renewed, necessary costs to deliver our offerings such as unanticipated content development costs, and other potential variables. Accordingly, a reconciliation is not available without unreasonable effort.
- “Client Partner Ramp” is the expected amount of invoiced amounts the Company expects its client partners to generate based upon the length of time the client partner has been in a sales role. This metric measures client partners who are currently employed by the Company and does not subtract any accounts that are transitioned to a client partner from a previous client partner.
- North America revenue consists of revenue generated by our direct offices in the United States and Canada, including government sales.
- Constant Currency” Franklin Covey presents constant currency information to provide a framework for assessing how our underlying business performed excluding the effect of foreign currency rate fluctuations. There are several approaches that an entity can take to calculate constant currency information and Franklin Covey’s method may not be consistent with another entity’s constant currency calculation. To calculate this measure, Franklin Covey converts the actual monthly results of our foreign operations, including the results of our International Licenses, into \$USD at the respective prior year monthly exchange rate. The non-GAAP measure should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with generally accepted accounting principles (GAAP).