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PRESENTATION

Operator

Welcome to the Q3 2022 FranklinCovey Earnings Conference Call. My name is Darryl, and I will be your operator for today's call. (Operator Instructions). Please note, this conference is being recorded. I will now turn the call over to Derek Hatch. Derek, you may begin.

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

Thanks, Darryl. Good afternoon, everyone. On behalf of FranklinCovey, it's my pleasure to welcome you to our earnings call for the third quarter of fiscal 2022. Before we get to the good stuff, I want to remind everybody 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 stabilize and grow revenues, the acceptance of renewal rates of 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 that 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. Hi, everyone. We're grateful that you're with us today, and we hope your summers are off to a very good start. I'm joined today by Steve, Jen, Sean and the rest of our executive team. We're also happy to have Bob on the line with us today as well. We are happy to be able to talk to you today and report our strong Q3 results and are really pleased that, again, the results were strong for not only the quarter, but year-to-date and for the latest 12 months, even stronger than expected.

I'd like to start with a few revenue headlines, as you can see on Slide 4. Revenue growth for the quarter was strong, increasing 13%. And importantly, this 13% growth was after factoring in the impact of COVID-related lockdowns in China and other COVID-related impacts in Japan. Excluding China and Japan, revenue grew 19% in the third quarter. And our year-to-date and latest 12 months revenue growth has also been very strong where, again, even after factoring in the recent impact in China and Japan, revenue has grown 19% year-to-date and 24% for the latest 12 months.

Our subscription and subscription services revenue growth was even stronger for the quarter, year-to-date and also for the latest 12

months. Total subscription and subscription services revenue grew 31% in the third quarter and has grown 31% year-to-date and 36% for the latest 12 months, with All Access Pass subscription and subscription services revenue growing 32% in the third quarter, 29% year-to-date and 32% for the latest 12 months to \$136.2 million; and Leader in Me subscription and subscription services revenue growing 28% in the third quarter, 38% year-to-date and 49% for the latest 12 months to \$54 million.

The durability and visibility into our future revenue growth also continues to expand. Our balance of deferred revenue, both billed and unbilled, increased 21% over last year's third quarter to \$116.5 million. And as shown on Slide 5, in our North America Enterprise operations, the percent of our All Access Pass contracts, which are multiyear was 42% and the percent of our total All Access Pass subscription revenue represented by these multiyear contracts increased to 58%, has also shown the average lifetime value of our All Access Pass customers continued to increase in the third quarter, year-to-date and for the latest 12 months.

Our average revenue per client increased to \$47,000. Revenue retention continued to be well above 90%, and our services attach rate increased to 66% for the latest 12 months. I'd like to point out a few profitability metrics, and these are reflected in Slide 6. Our gross margin percentage for the quarter remained very strong at 77.3% and has increased 55 basis points to 77.6% year-to-date and 40 basis points to 77.5% for the latest 12 months. Operating SG&A as a percent of sales for the quarter improved 275 basis points from 63.6% to 60.8%. It's also improved 392 basis points year-to-date, moving from 65.9% to 61.9% and 229 basis points for the latest 12 months from 64.2% to 61.9%.

The flow-through of incremental revenue to increases in adjusted EBITDA for the quarter was 31% and has been 40% year-to-date and 27% for the latest 12 months. As a result of strong revenue growth and high flow-through, adjusted EBITDA increased 27% or \$2.3 million in the quarter to \$10.9 million, 66% or \$11.4 million year-to-date to \$28.9 million and 50% or \$13.1 million for the latest 12 months to \$39.4 million. Net cash provided by operating activities was \$39.5 million, an increase of \$8.7 million or 28% compared to the same 9-month period last year.

During the third quarter, we returned a significant amount of capital to shareholders, investing \$20.3 million to repurchase approximately 500,000 shares. And even after investing \$20.3 million in share repurchases, we ended the quarter with \$67.1 million of liquidity, comprised of \$52.1 million in cash and with our full \$15 million revolving credit line undrawn. As we'll discuss in a few minutes, as a result of these continued strong results and the strength of the key factors driving and underlying this growth, we're confident in increasing our guidance and outlook.

As shown on Slide 7, first, while, of course, some quarter's revenue growth will be higher than others, we're increasing our revenue outlook for fiscal '23 and beyond, from the expectation of growing our rolling 12 months revenue from low double digits to expecting that rolling 12 months revenue growth now that it will be at least in the low teens, call it, 12% or 13-ish percent and moving toward the mid and then high teens in the quarters and years to come.

We expect this accelerating revenue to be driven by and reflect the ongoing growth in our high-margin, high-recurring subscription and subscription services revenue. Second, we're increasing our adjusted EBITDA guidance again for fiscal '22. As you know, our initial guidance was that for fiscal '22 adjusted EBITDA would increase to a midpoint of \$35 million, an increase of \$7 million or 25% compared to adjusted EBITDA of \$28 million in fiscal '21. Our most recent guidance was for fiscal 2022's adjusted EBITDA to increase to a midpoint of \$38.5 million, representing year-over-year growth of 38%.

We now expect adjusted EBITDA for fiscal 2022 to increase to between \$40 million and \$41.5 million. The middle of this range reflects more than 45% growth in adjusted EBITDA compared with the \$28 million achieved in fiscal 2021. We'll discuss this guidance in a bit more detail in a few minutes. Third, we're increasing our outlook for adjusted EBITDA growth for fiscal '23, fiscal '24 and fiscal '25. We now expect that adjusted EBITDA will grow from between \$40 million to \$41.5 million in fiscal '22 and between \$47 million to \$48.5 million in fiscal '23.

This compares to our previous adjusted EBITDA outlook of approximately \$45 million for fiscal '23. We then expect that adjusted EBITDA will increase to approximately \$57 million in fiscal '24 versus what we said previously \$55 million. And then to increase to approximately \$67 million in fiscal '24, a level at which we would expect adjusted EBITDA as a percentage of sales to be approaching 20%. With this

impressive and strong expected growth in revenue and adjusted EBITDA, we also should generate significant amounts of cash flow which, as we'll discuss in more detail in a few minutes, we plan to reinvest in the business at high rates of return and also return substantial amounts to shareholders through ongoing share repurchases. I'd now like to turn some time to Steve to dig a little deeper into our results.

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

Thank you very much, Paul. Good afternoon, everyone. It's nice to be with you today to talk about what we believe are good results. So as Paul expressed, we are really pleased with the ongoing combined strength and growth of our revenue, our adjusted EBITDA and our cash flow. And as Paul mentioned, as strong as our overall results were, our results were even stronger, excluding Enterprise's international operations, where as noted, COVID-related impacts in China and Japan impacted our results. Specifically, excluding Enterprise's international operations, revenue growth, which was already a strong 13%, was 19%.

To provide you with a deeper understanding of the factors driving this performance, I'd like to quickly report on 3 key areas of the company. Our Enterprise business in North America, our Education business, which is almost all in North America and our Enterprise business internationally. As shown in Slide 8, results in our Enterprise business in North America, which accounts for approximately 53% of total revenue, were strong. Revenue grew 20% in the third quarter. and has grown 19% year-to-date and 22% for the latest 12 months.

Subscription and subscription services revenue grew an even higher 27% in the third quarter, 25% year-to-date and 27% in the latest 12 months. Our balance of deferred revenue, billed and unbilled, grew 16% for the quarter over the prior year. And the percentage of All Access Pass contract revenue represented by multiyear contracts, increased to 58% during the quarter, up from 52% in the third quarter of last year. Shown in Slide 9, the results in our Education business, which account for approximately 22% of total revenue, were also very strong.

Education revenue grew 21% for the third quarter and has grown 33% year-to-date and 42% for the latest 12 months. And Education, subscription and subscription services revenue grew 28% in the third quarter and -- 28% in the third quarter, 38% year-to-date and 49% for the latest 12 months. Our balance of deferred revenue, again, billed and unbilled in Education grew 49% in the third quarter. And as a result of COVID-related impacts on our operations in China and Japan over the past quarter and a half, results in our international Enterprise operations in the quarter or a mix of geographic areas with very strong growth and those whose operations were significantly impacted by COVID-related challenges.

In our offices in the U.K., Ireland, Germany, Austria, Switzerland and Australia, which comprise approximately 36% of total international sales. And where All Access Pass makes up a substantial portion of sales, revenue grew \$1.3 million or 41% for the quarter and grew 48% year-to-date and 60% in the latest 12 months. All Access Pass subscription and subscription services sales, which make up approximately 86% and of total sales in these countries, grew even more rapidly, increasing 77% for the quarter, 81% year-to-date and 100% in the latest 12 months.

International licensee partner revenue increased 9% in the third quarter compared to last year. These operations continue to strengthen coming out of COVID despite the interruptions in Eastern Europe. In our offices in China and Japan, which account for approximately 64% of international sales, widespread COVID-related lockdowns in China and a very cautious and slow return to normalcy as guided by the Japanese government, impacted business in these 2 countries. Revenue declined \$2.6 million or 46% to \$3.1 million for the quarter, but declined only 15% year-to-date and 6% in the latest 12 months, reflecting that the latest COVID lockdowns and restrictions primarily impacted the second and third quarters.

However, with the recent easing of COVID-related restrictions in China and Japan, sales in these countries have started to rebound, and we expect that both countries will contribute to international and company growth in FY '23. Now I'd like to provide a little more detail on these key highlights. As shown on Slide 10, revenue -- in the third quarter, revenue grew 13% to \$66.2 million, an increase of \$7.4 million compared to the \$58.7 million of revenue generated in last year's third quarter. And as strong as our revenue growth was, the growth of our -- and profitability and cash flow related to this revenue growth was even more significant.

Our gross margin percentage remained very strong at 77.3%. Our operating SG&A as a percentage of sales declined 274 basis points to

60.8% for the third quarter. Adjusted EBITDA increased 27% or \$2.3 million to \$10.7 million in the third quarter compared to \$8.6 million in the third quarter of FY '21. Our cash flow and liquidity positions were also very strong. As shown on Slide 11, cash provided by operating activities through the third quarter increased 28% to \$39.5 million. This strong cash flow reflects an additional benefit of our subscription model, specifically that we invoice upfront and collect cash from these invoiced amounts even faster than we recognize all the subscription revenue.

With this strong cash flow, we ended the third quarter with \$67.1 million in liquidity. Even after investing the \$20.3 million in the third quarter related to the repurchase of approximately 500,000 shares. Our \$67.1 million of liquidity at the end of the third quarter was comprised of \$52.1 million in cash, which means no net debt. And with our \$15 million revolving credit facility remaining fully undrawn. So Paul, back to you.

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

Thank you, Steve. Thanks for that great review. I'd now like to touch briefly on 5 key drivers behind these strong results. These are illustrated on Slide #12. The first driver is that the markets we've chosen to serve are very large. They're growing significantly, and they're highly fragmented. This provides us with enormous headroom for growth and the opportunity to own a significant share of each of the markets in which we serve. The second driver is that we're focused on the most important, lucrative and durable spaces in each of these markets.

The opportunities and challenges we help our clients address are very durable providing us the opportunity to partner with them, both in good and more challenging times. Driver number 3 is the strength of our subscription model. It's a powerful engine that's driving strong growth, significant and increasing predictability and durability of revenue and the high flow-through of revenue to profitability and cash flow. The fourth driver is that we have compelling opportunities for growth.

The combination of our large and growing markets that we serve, the importance of the challenges we help our clients address and the strength of our business model, create a number of exciting opportunities for growth. And the fifth driver is that our strong cash flow has and can be invested to create significant additional value for shareholders. I'll briefly touch on each of these in a little bit more detail. First, the first driver, the attractiveness of the markets we've chosen to serve, each is large and growing and fragmented.

As you can see on Slide 14, our focus is on 3 large and growing markets. Our Enterprise learning market, where the total addressable market is approximately \$99 billion and growing by about \$3 billion per year. The Education market where the TAM is \$600 billion and growing approximately \$1 billion a year; and third, the market for business leaders investing from their own operating budgets to improve their organization's performance, where the total addressable market is not defined, but is likely in the trillions of dollars and growing. Each of these markets is highly fragmented with the largest players accounting for only approximately 1% to 2% of sales.

We believe this provides us with tremendous opportunities for growth and to establish significant market share. Driver number 2 is that we're focused on the most important, lucrative and durable spaces in each of these markets. As shown on Slide 16, many things can add value to an organization, including providing people with useful information and helping them learn new skills. However, as important as sharing information and helping people learn new skills can be, the single most impactful opportunity most organizations have is to find a way to mobilize the collective actions and best efforts of large numbers of people toward the organization's highest priorities.

As illustrated in Slide 17, for every major, strategic operational or cultural initiative an organization has, whether, for example, that objective is to systematically improve its customer loyalty scores, increase sales effectiveness, help its leaders increase trust and engagement throughout the organization or any other key initiative. Almost every organization will already have pockets of great performance. That's represented by the number 1 on that chart. Every organization will also have variability in its performance across its people and units.

That's represented by the number 2 on the chart. This variability in outcomes typically is a result of inconsistency in human behavior and in execution. What differentiates the best-performing organizations from their lesser performing counterparts isn't that one has pockets of great performance while the other doesn't. They both, in fact, do. Nor is it that one has variability in its performance while the other doesn't. Again, both do. Rather, what differentiates top performer organizations from lesser performers is the extent of that variability.

As indicated by the number 3 next to the red dash line, what really differentiates top-performing organizations is that the performance distribution curve of the top performers is simply righter and tighter than that of lesser performers.

Top performers are better at institutionalizing or getting widespread adoption of the behaviors, actions and paradigms that are already present in their existing pockets of great performance. This does not happen by accident. Helping clients achieve true performance breakthroughs by driving the kind of collective behavioral change that allows them to systematically and predictably move their performance and behavior curves righter and tighter is exactly the kind of thing that Franklin Covey helps its clients achieve.

In fact, our entire organization is focused specifically on helping companies, schools and teams of all sizes and across just about every industry, achieve these kinds of results. It's the reason why, as we'll discuss in a minute, we made acquisitions like Jhana and Strive and while we continue to invest in content and technology and why we're focused on accelerating the growth of our sales force. Every organization has these righter and tighter challenges and opportunities, and they exist during both times of great opportunity and times of great challenge.

The challenge organizations have in moving their operations and initiatives righter and tighter is a very durable one. We witnessed this during -- this durability during the constantly changing pandemic environment when thousands of organizations and schools purchased, expanded and renewed their Leader in Me and All Access Pass subscriptions and also purchased support services from FranklinCovey to help them achieve their most important goals. It is FranklinCovey's ability to help clients address these kinds of challenges and opportunities that, as shown on Slide 18, is keeping the lifetime value of our customers, both large and growing.

The third driver I would highlight is the strength of our subscription model. It's a powerful engine that's driving strong growth, significant and increasing predictability and durability of our revenue and a high flow-through of revenue to profitability and cash flow. As substantially all of our business become subscription and subscription services over the next few years, we expect our overall growth in revenue and profitability to accelerate. I'd like to briefly highlight these points: first, our subscription and subscription services model is driving strong growth.

As shown on Slide 20, our subscription and subscription services revenue grew 31% in the third quarter and has grown 31% year-to-date and 36% for the latest 12 months. This growth has been driven by our All Access Pass subscription offering in our Enterprise business and our Leader in Me subscription offering in our Education business. All Access Pass is driving strong growth in the Enterprise business as we predicted it would. As shown in Slide 21, from the inception of All Access Pass through -- in fiscal 2016 through this year's third quarter, All Access Pass subscription and subscription services revenue has grown tenfold, from \$13.7 million in fiscal 2016 to \$136.2 million for the latest 12-month period ended this third quarter.

This robust growth has continued this year with All Access Pass subscription and subscription services revenue growing 32% in the third quarter, 29% year-to-date and 32% for the latest 12 months. Similarly, the Leader in Me subscription is also driving strong growth in the Education Division as we expected it would. The Leader in Me subscription offering's growth has been so substantial that for the latest 12-month period, Leader in Me accounted for more than \$54 million or 93% of Education's total revenue. And Leader in Me subscription revenues are continuing to grow rapidly.

As shown on Slide 22, Leader in Me subscription and subscription services revenue grew 28% in the third quarter, has grown 38% year-to-date and 49% for the latest 12 months. Second, our subscription model also continues to drive an increase in the durability and predictability of our current and future revenues. As shown on Slide 23, our balance of deferred revenue, both billed and unbilled, continues to increase significantly, growing 21% to \$116.5 million at the end of the third quarter. Additionally, durability and predictability of revenues being created, as we've mentioned, by the increasing percent of our All Access Pass contracts that are multiyear.

Again at the end of the third quarter, the percent of contracts that are multiyear is 42%, and the revenue represented by those contracts is 58%. Third, our subscription business model also reflects high flow-through of revenue growth to growth in profitability and cash flow. With its strong gross margins and relatively low customer acquisition costs, a high percentage of incremental growth in subscription revenue flows through to increases in adjusted EBITDA and cash flow.

Fourth, as substantially all of our business become subscription and subscription services over the next few years, we expect FranklinCovey's overall growth in revenue and profitability to accelerate. When we began our conversion to subscription just over 6 years ago, we shared the trajectory of Adobe's conversion -- their own conversion to subscription. As you can see on Slide 24, in the initial years of its conversion to subscription, Adobe's strong growth in subscription sales was substantially offset by declines in their Legacy box software business.

However, as their subscription business continued to grow rapidly and the decline in their Legacy business flattened out, as shown by the green line, Adobe's overall revenue growth and market cap accelerated. We said that we expect that our conversion to subscription to follow a similar pattern, and that has been the case. We began our conversion to subscription in our Enterprise North America business. As shown on Slide 25, we're pleased that our conversion to All Access Pass in North America has followed a similar trajectory to that experienced by Adobe.

As our conversion has progressed, subscription sales growth has continued to be very strong, while declines in Legacy sales have flattened out. As a result, North America Enterprises overall revenue has grown a significant 22% for the latest 12 months as indicated by the green line on the right-hand chart. As this acceleration in growth in North America has occurred, it's driven an increase in the company's overall growth rate from high single digits to low double digits and is projected to move to the low teens. As substantially all of the company's business become subscription and subscription services in the next few years, as we've mentioned, we expect overall company revenue to increase to the mid-teens and then the high teens in the quarters and years to come.

As this occurs, we also expect our adjusted EBITDA and cash flow to accelerate. The fourth of 5 drivers is that we have compelling opportunities for growth because we recognize first, the very large opportunities ahead of us in the markets in which we serve and are focused; second, the necessity for our clients to move righter and tighter to drive collective behavior change in addressing their most important challenges and opportunities; and third, because of the power of our subscription business model to generate significant growth, we're excited about the opportunity ahead of us, and we're determined to take advantage of it.

To that end, we continue to make investments in content, technology, thought leadership and in growing our sales force. I'd like to briefly highlight efforts in 2 of these areas. First, on the technology front. What we're now calling our new impact platform, the result of our acquisition of Strive. We've launched this platform to a significant portion of our customers and the excitement and feedback has been tremendous. We're right on track for our full rollout, and we'll be bringing the new platform to all English-speaking clients this fall and to many other additional languages by winter.

This new impact platform seamlessly combines our best-in-class content and solutions, instructor-led coaching supported by cohort -- our instructor-led coaching-supported cohort impact journeys and powerful micro push content onto a single platform. We're creating an industry-leading user experience and a powerful way for clients to deploy our solutions at scale across their organization to drive measurable behavior change and collective action. The second area I'd highlight is our continued investment and focus on growing our sales force.

We expected to add net 30 client partners this year and are on track to do so. As shown on Slide 27, we ended the third quarter with 265 client partners, which was even with where we were at the end of the second quarter and down a little from last year. As we mentioned before, our net new hiring generally occurs in the back half of our fiscal year. And through today, we're at 282 client partners, with a robust recruiting pipeline and on track to hit 303 by year-end. Additionally, this year, we've established a foundation for being able to accelerate our sales force growth in recruiting and sales management and sales enablement to support the addition of at least 40 net new client partners in fiscal '23.

The fifth and final driver I would highlight is that our strong cash flow has, and we believe can be, invested to create significant additional value for shareholders. We've said that our objective is to be a relatively unique company. A company that can simultaneously generate revenue growth in the low teens and which will accelerate to the mid and then high teens, generate adjusted EBITDA in the range of 20% per year, and reinvest excess free cash flow in the business at high rates of return, while also returning substantial amounts of capital to shareholders in the form of share repurchases.

We believe that we're becoming exactly this kind of company. As noted, we've increased our actual and expected revenue growth into the low teens and believe that our growth rate will increase to the mid and then high teens in the coming years. We've shared our expectation of generating adjusted EBITDA growth with a [compound] annual growth rate in the range of 20% per year, and we've been investing our excess cash at high rates of return to create additional shareholder value. As it relates to investing free cash flow over the past years, first, we've reinvested capital in the business at high rates of return.

For example, the ratio of our adjusted EBITDA, less capitalized development and other capitalized expenses to net tangible assets has been in the range of 20%, and we expect to have many opportunities for organic and M&A investments that can continue to meet these high hurdles. Second, we've also returned a significant amount of excess cash to shareholders in the form of share repurchases, at prices we believe have and will generate very high rates of shareholder return. During the third quarter, as we mentioned, we invested \$20.3 million to repurchase approximately 500,000 shares at an average price of \$40.68 per share.

Over the years, we've invested approximately \$195 million to repurchase 12.8 million shares, reducing our total share count to only approximately 13.9 million shares. We believe that these share repurchases represent an attractive use of cash. I'd like to outline the 3 points we considered as we decided to invest more than \$20 million during the third quarter to repurchase stock. First, we believe that the price at which we have repurchased shares represents a significant discount relative to the net present value of our expected cash flows.

We believe that both our recent purchases and our purchases over the years have reached this standard. For example, the average price at which we've repurchased the 12.8 million shares over the years has been \$15.16 per share. Second, we believe that a significant percentage of our market cap is attributable to our current cash and the net present value of our projected cash flows alone without any reliance on residual or exit value. Third, we believe that the price at which we repurchase shares reflects a significant discount relative to other companies with similar revenue and growth expectations.

As we've shared, we expect to generate an adjusted EBITDA compound annual growth rate in the range of 18% to 20% per year over at least the next 3 years. Our analysis of expected revenue and EBITDA growth for small and mid-cap companies suggest that this level of growth in EBITDA and with at least low teens revenue growth, which we also expect, would place us in approximately the top 15% of the 2-year expected growth rates for these comparison companies. However, while our expected growth rates would place us near the top of small and mid-cap companies, we're currently trading at a significant discount to the average of small and mid-cap companies with similar financial profiles, even after many of these companies have undergone significant declines in their market caps over the past couple of months.

The combination of these factors gives us confidence that investing excess cash flow in the business and in share repurchases can generate and can create significant additional value for shareholders in the coming years. So with those -- having gone through those 5 points, I'd now like to turn some time to Steve to talk about our outlook and guidance.

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

Thank you again, Paul. So we've reviewed a little bit of this guidance before, but we'll go over again and expand a bit. As you know, as shown in Slide 29, our initial guidance provided last fall was that in FY '22 adjusted EBITDA would increase to a mid-point of \$35 million, which was an increase of \$7 million or 25% compared to the adjusted EBITDA of \$28 million in FY '21. Our most recent guidance was for FY '22 adjusted EBITDA to increase to a mid-point of \$38.5 million, representing year-over-year growth of 38%.

We are now increasing our adjusted EBITDA guidance again for FY '22 to between \$40 million and \$41.5 million. The middle of this range represents more than 45% growth in adjusted EBITDA compared with the \$28 million achieved last year. Underpinning this guidance are the following expectations. First, that we will recognize the deferred revenue currently on the balance sheet. This deferred revenue is secure and provides significant visibility into our revenue for the fourth quarter next year and beyond. Second, in addition to the recognition of our deferred revenue, our All Access Pass and Leader in Me subscription and subscription services sale will continue to achieve strong growth, an assumption which -- in which we have high confidence.

Third, while we are expecting recovery next year from the recent pandemic lockdowns in China, which normally accounts for

approximately 5% of sales. And restrictions in Japan, which normally accounts for approximately 4% of sales. Our guidance assumes very little improvement in their operations in the fourth quarter compared to this year's third quarter. Fourth is that in our Education business, we'll continue to achieve strong retention of both schools and revenue among existing Leader in Me schools. And also grow our number of new Leader in Me schools to [11], a level even higher than we achieved in our strong fiscal 2021.

For the year, Education will also significantly increase the number of coaching days it delivers in its Leader in Me schools. This year, because our team's continued effort to have a revenue be recognized more uniformly throughout the year. And because of the lifting of COVID restrictions, these coaching days have been able to be spread throughout the year, whereas last year, a majority fell and were recognized in the fourth quarter. Consistent with this overall guidance, we expect adjusted EBITDA in the fourth quarter to be between \$11.1 million and \$12.6 million compared to a strong \$10.6 million in the fourth quarter of FY '21.

This expectation reflects strong growth in North America in our English-speaking direct offices in U.K. and Australia and in Education. Partially offset by year-over-year declines in the operations of China and Japan and by the timing of Education coaching days recognized in last year's fourth quarter, many of which have been recognized in earlier quarters this year. We expect revenue growth of approximately 7% in the fourth quarter, reflecting the declines in China and Japan and the previously discussed timing of shifts in Education coaching days out of the quarter into earlier quarters this year.

Total revenue growth for the year, including the fourth quarter is expected to be 15%. So to talk again about our targets for FY '23 through FY '25. As shown in Slide 30, you'll recall at the end of the first quarter, we increased our original target of achieving \$40 million of adjusted EBITDA in FY '23 and \$50 million in FY '24 to the target of achieving \$45 million in adjusted EBITDA in '23 and \$55 million in FY '24. As we discussed a few minutes ago, our targets are to achieve between \$47 million and \$48.5 million in fiscal 2023. We then expect that adjusted EBITDA will increase to approximately \$57 million in FY '24 versus our previous expectation of approximately \$55 million.

And then to approximately \$67 million in FY '25, a level at which we would expect adjusted EBITDA to sales percentage to be approaching 20%. Of course, while dramatic changes in the world, environment, the economy and other factors could impact these expectations, we wanted to share with you that these are our current targets. So back to Paul.

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

Thank you, Steve. We feel great about our momentum, and I look forward to continued accelerating growth. And with that, Darryl, we'd like to open the line for questions, if you would.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). And our first question comes from Marco Rodriguez.

Marco Andres Rodriguez Stonegate Capital Markets, Inc., Research Division - Director of Research & Senior Research Analyst

I was wondering if you could talk a little bit more about the client partner hirings. If I heard you correctly, you're targeting 40 new net CP hires in fiscal '23, but I missed some of the commentary surrounding that. So if you can maybe talk about the main drivers that are moving you from a net 30 to a net 40? And should we basically sort of assume that this 40 level per year is a new run rate level going forward?

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

Yes, great question. So you'll recall, you've been with us for a long time, you'll recall back when you first stepped out and said, "hey, we recognize growing the sales force is key to growing the overall company and growing revenue". And we stepped down and started hiring net 10 a year and then we moved that up to net 20. And right now, we're at net 30, we're going to net 40. And I don't -- I think 40 is next year. We have ambitions to go beyond that in the 2 years. You might see us come and talk about a net 50 and a net 60 number in the next couple of years here.

And so the commentary I think you're looking for is the -- what we need to have in place to be able to support those is, one, the recruiting -- the size of the recruiting team, the ability to attract those kinds of numbers. And so we've been hard at work this year to do that, and we feel great about that. And then once we found the people, just our own onboarding ramp sales enablement and sales management infrastructure, needs to be there to support them. We are fortunate that we enjoy long 10-year, very little turnover.

And it's because we do, I think, a great job of ramping people and they recognize they can be successful here. And so we want to -- we've been laying the foundation for the next big jump here to net 40 and doing it in a way that will allow us to go even beyond that in the years beyond next.

Marco Andres Rodriguez Stonegate Capital Markets, Inc., Research Division - Director of Research & Senior Research Analyst

And that support staff. Is that fully in place now for -- to hit that 40 in fiscal '23?

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

Yes. Yes, it is. Yes. So the support staff are -- it's the managing directors who lead the sales force, it's the sales enablement people scaling up the sales enablement tools. So you can model 40 going forward, and we might come back and take it up higher a year from now as we talk about fiscal '24 and '25.

Marco Andres Rodriguez Stonegate Capital Markets, Inc., Research Division - Director of Research & Senior Research Analyst

Got it. Very helpful. Then, in terms of the international licensees, outside of China and Japan, it obviously sounds like results are pretty strong, and it sounds like it's partly being driven by All Access Pass adoption. And while I understand the headwinds that are present in China and Japan, can you maybe talk a little bit about where they are, China and Japan, that is in regards to them implementing all Access Pass?

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

Yes. Jennifer Colosimo is the President of our Enterprise division. Jen, do you want to talk about the progress in Japan and then also China on AAP?

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

Yes, of course. So thanks, Marco. We have had significant progress in Japan in terms of AAP and AAP services. As of the end of this last quarter, Japan is 45% of their business that's AAP and AAP services, which will, as we expect, lead to significant returns and that same sort of flywheel we talk about all the time, those same economics apply in Japan. And again, they were restricted by the government requirements in Japan. We're seeing a real turn. And China's percentages are significantly growing. We probably would be seeing a higher percentage if we just hadn't seen such a downturn in their business and their ability to conduct business with the COVID restrictions in their environment. We'll be able to talk more about that as we end up the fiscal year.

Marco Andres Rodriguez Stonegate Capital Markets, Inc., Research Division - Director of Research & Senior Research Analyst

Very helpful. And then shifting here to balance sheet. On the last call, we talked about your cash balance, and it's nice to see a large stock buyback you guys did in the quarter. But the conversation also sort of revolved around potential uses of that cash via acquisitions, small tuck-ins like kind of your historical bread and butter. Can you maybe update us on that acquisition landscape and perhaps your level activity -- your level of activity in that area?

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

Absolutely. So Marco, we think of -- when we think of potential acquisitions, we think of -- we could acquire capability we don't have. Those -- examples of that were the acquisition a few years ago of Robert Gregory Partners which brought coaching capability and executive coaching to us. Jhana, the micro push content capability. Strive, of course, the platform to power what we're doing for clients. So capability acquisitions, we think of -- we look at content -- potential content fits where -- I mean we don't have to acquire content, we can oftentimes license it.

But if there was an organization out there that had good content and brought with it then one of these other 2, which could be a number of customers where the value proposition, they're happy with their current provider. But boy, if they had access to the content they

currently have plus everything that's in the All Access Pass, we could convert them over at a high conversion rate and grow our customer counts even more rapidly or they might bring more client partners, salespeople with them.

So we kind of think of the 4 Cs of potential acquisition targets. And Boyd Roberts who is in the room here, heads that up for us, and we're having conversations all the time across those 4 and looking at different things that we might do in the future. Right now, we've been very focused on getting Strive completely integrated and getting that out the door, but there are -- we see the potential to be more active there as one of the uses of cash in our balance sheet.

Operator

And our next question comes from Alex Paris.

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

So congrats on the beat and raise, congrats on the raised guidance and outlook. And with regard to guidance and the outlook, I was wondering if we can talk macro for a bit, maybe a little additional color. Typical questions that we're asking on these conference calls is the impact of inflation and how you're dealing with it as well as the specter of recession and how the industry behaves in that sort of environment. So a little more color there on those macro issues, please?

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

Great question. We were expecting that, that question might come up on this call. Of course, we can't predict will there or won't there be a recession, how severe, how deep, et cetera. But what we can do is look at where we sit relative to that potential and assess how prepared are we, how confident are we? And we feel quite good about the level of preparation and our confidence, should there be a downturn. And I would maybe point to 5 reasons for confidence. First -- and we talked about this a little bit in a few minutes ago. But for us, it starts with the nature of the problems that we're helping our clients solve.

And you could argue actually the things we're helping them with might be even more important to them in the difficult times than in the "easier times". Executing strategy, the need for that becomes even more paramount when things are difficult. Sales capability, production, our sales practice. The culture of the organization and making sure that every leader and individual has the skills necessary to come together and deliver on the strategy the company has. In tough times they company can't -- they just can't afford to miss or to be sloppy.

And so we're on the problems that are very enduring and durable, particularly in a challenging time. I'd say it would be point one. We're not caught up in the thick of thin things, so to speak. Second, we're laser-focused on making sure the solutions that we create and we bring to market, we bring to our clients actually do measurably move the needle in those areas that when you engage with us, performance does improve and it improves at scale across the organization. So I think the combination of those 2 things, first, it kind of puts us in a unique and important arena.

The third -- and this will be a new one for us, and I think this is where I'm quite bullish is that our subscription business model. We've, of course, gone through downturns in the past as a company, but we haven't gone through it with this new powerful model where substantially all of the contracts are for at least 1 year, build upfront and none of those contracts come due on the same day in a year, they're spread throughout the year. And so that provides just the single-year nature of the contract provides some visibility and a real foundation.

But as we mentioned earlier, nearly 50% of the contracts and more than 50% of the revenue is in a multiyear contract, which by definition is 2 years or longer. So there's an incredible amount of revenue that is and will and is scheduled to come in the years to come. And so the model is quite different. We've got a little bit of a chance to see that during the pandemic, where that subscription revenue held up really, really well. And in fact, continued to grow through the pandemic. That's the third point.

I think the fourth point is a bit of a -- well, the fourth point would just be we have cash, and we generate cash. And in times of economic uncertainty, cash is king, and we're fortunate to be in a position where we have and we generate lots of cash. I think the fifth is maybe a

little bit of a different point, and it's something we're focused on with our sales force is we don't want to capitalize at somebody else's expense.

And we've seen consistently from the inception of All Access Pass that as we add more and more to it, it becomes an even more robust and powerful solution for our clients that they don't need to work with as many vendor partners as they do. And so they can rationalize and consolidate others and actually double down with us. They might spend a little bit less in the aggregate, and we actually grow our share with them. And we reported on that during the pandemic. That was certainly the case with some of the large airlines, some of the large hotels, some of the large industrial manufacturing companies.

We have continued to see that all along the 6 years. I think there's an opportunity here. There's a strong -- tend to get stronger in these times, and I think we're coming into this with great strength. So that would be my thoughts about -- we're not hoping for a recession. But I think we're quite well positioned. As far as to the inflation point, we don't have a massive supply chain. We don't have a lot of cost there. Of course, travel costs go up a little bit. We pass those on to our customers. Labor costs a little bit, but we're not -- we don't -- we're not as susceptible maybe to high increases in inflation as other businesses might be.

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

Great I appreciate that thorough answer, and I agree with those points. So you could argue that, particularly with the percentage of subscription and subscription-related services that the company should grow right through a downturn? Obviously, depending on the length and severity of the downturn. But the problems that your customers have will only increase in tough economic times, and you got the increasing component of recurring revenues.

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

Yes. So that's great.

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

Yes. And then the Q4 challenges, I think Steve did a good job outlining those. China and Japan, you're not expecting significant recovery in the fourth quarter versus the third quarter experience, but you do expect as the COVID lockdowns diminish and COVID continues to improve, hopefully, that you expect a return to growth for both of those countries in fiscal '23? Just wanted to clarify.

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

We do. In fact, just maybe an extra couple of fences on the response here. We've been through this before, particularly in China. So China got hit very hard in round 1 of the pandemic. But then that business came back a little over a year ago and was back to levels pre-pandemic. So we saw it go down, we saw it come back up. Unfortunately, it went back down again what's happened in China the last 1.5 quarters or so. But we expect the same conditions that caused it to go back up to pre-pandemic levels will be there again. We just don't foresee that happening in the next -- in this fourth quarter, but we do expect it will happen as we get into next fiscal year. And then Japan has been -- it will be -- it's just kind of -- it's already on kind of a slow return to growth. It's a little bit of a different environment there, but we do expect that both those countries will contribute to our growth next year.

Operator

And our next question comes from Samir Patel.

Samir Patel Askeladden Capital Management LLC - Founder & Portfolio Manager

Congrats on a great quarter, and thanks for finally repurchasing shares. Look, I got 2 questions. The first one extends on, I think it was Alex a few minutes ago. Could you maybe, as a retrospective, talk a little more in depth about your experience during COVID with those customers who were affected, right? And like you mentioned, the hotels and airlines, I mean I'm looking at your press release from December 2020, when you were selected by Best Western to provide services to more than 2,000 properties in North America, right?

And that was during -- I forget which variant it was one of those spikes and that's when they decided to actually sign a big new contract

with you. So I mean, just to the point that I'm sure a lot of people have questions about the resilience of the business model. But like you mentioned, subscription revenues kept growing through COVID and you, in fact, were signing big deals with customers in the hospitality industry. So first question is maybe could you just go a little bit more in depth there as a retrospective kind of to the most recent crisis that you guys went through?

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

Yes. And thank you for the prompt. The -- just to point -- not only did subscription revenue grow during the pandemic. But apart from the very early 2 quarters of the pandemic where we needed to go through the conversion of the subscription services portion of our revenue, which was all booked as live in-person sessions at client locations that, of course, got canceled, and our clients weren't yet ready to move to live online. It took a couple of quarters for us to work with them and convince them that, that experience could be just as powerful as live in-person.

But once we got them over that bridge, our subscription services revenue took back off again. And it's now at levels that it's never been before. In fact, as you note here in this call, we reported as a percentage of All Access Pass subscription revenue, services make up 66% now. It wasn't that many quarters ago that, that was down in the -- well I remember when it started at 12%, right? It has been slowly growing up to 66%. So I think the point you're highlighting here is a good one, which is both the subscription revenue and the services revenue did grow quite rapidly through the pandemic once we got through those first 2 quarters on the services side.

And it is because -- as we both pointed out here, the nature of the problems we're solving. So we had a client in the early days of the pandemic that -- it was one of the largest airlines in the world. There was no airline traffic or travel happening. And they came to us and said, we want to double down with you right now because this is a chance we to reboot our culture and the skills and capabilities of the leaders across our organization. They have the time, and we have the need, and let's go do something special here. And so that was an example there.

We won the Best Western deal you referenced that and another very large -- well, I think probably the largest, if not -- one of the largest, if not the largest hotel chain in the world, has been a client for a long time. They doubled down with us during the pandemic and signed a 5-year contract. Extended the one they had and signed for another 5 years, and we're still in the middle of that with them. And so we see this happening. We -- I referenced a large kind of industrial company. We began with them about 5 years ago with 100 All Access Pass users. It went well.

They quickly expanded to 1,000 and then 3,000 users. And then during the pandemic, they went Enterprise-wide with us. And we're now in the middle of a 3-year multiyear contract with them where we're doing work all over the organization there. And they've -- they were, at one point, working with more than 30 different partners and are now down to about 4 or 5, and we're one of those. And the others are just -- they do things we don't do, which is why they're still working with them. And so I think to the point here and to Alex's previous question, again, not sitting here hoping that there's a downturn, but I do think there's an opportunity -- we do feel quite bullish that should there be because of the power of the offerings and the nature of the problems our clients are going to need us and clients that are not ours today will also need we have to offer. And strength looks for strength. And I think we can be that strong place that people look to and want to partner with.

Samir Patel Askeladden Capital Management LLC - Founder & Portfolio Manager

That's great. Very helpful color. Second question is for Steve. And Steve, I know we bud heads on this, it seems, like every quarter. But I think with your guidance, right? So if I look at the Slide 30, it is here. Paul, in the past 2 quarters, you've raised your revenue outlook from high single digits to low teens growth. This year's EBITDA guidance midpoint has gone up by about \$6 million and Steve, somehow your out-year targets have gone up by \$2 million. So -- and that's with hopefully, next year kind of China recovering from levels that are actually depressed during this fiscal year as you're -- has nothing to do with your core business.

It's just no one's allowed to do business there right now, right? So maybe, again, is it just conservatism? And -- or is there something structural I'm missing as to why you've increased your EBITDA this year by \$6 million versus prior target. And then next year, you're looking for -- out years you're looking for like \$2 million?

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

Yes. So. Samir, one of the things that you'll notice is that we're still looking in those out years at about a \$10 million increase from one year to the next. And so we think that, that's a fairly -- that's a good amount of flow-through year-to-year is about \$10 million. Now we had really an increased amount of increase in adjusted EBITDA this year from the pandemic-impacted \$28 million to where we're going to end up. But we think that \$10 million a year is a good target. And what we should be able to achieve.

And in our guidance for FY '23 is reflected some of the things that we've talked about, meaning hiring more salespeople that aren't quite as -- aren't as productive in their first year. So there are some additional costs there, additional cost in sales and marketing. Continuing to implement the Strive acquisition and doing some of the content and platform development at a level higher next year than we did this year and some of the travel continuing to come back. So Samir, yes there's a little bit of conservatism.

Samir Patel *Askeladden Capital Management LLC - Founder & Portfolio Manager*

Those are front-loaded growth investments, right? But if Paul's talking about going from high single-digit growth to low teens in the near future and then onwards to 15%, 17%, 19%, I mean those out-year targets, if you start achieving that, are going to be looking higher than that, right? Would you agree with that statement?

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

Yes.

Samir Patel *Askeladden Capital Management LLC - Founder & Portfolio Manager*

Paul?

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

Yes.

Operator

And our next question comes from Jeff Martin.

Jeffrey Michael Martin *ROTH Capital Partners, LLC, Research Division - Director of Research & Senior Research Analyst*

I was just wondering if you could put into context. You had -- for North America Enterprise, you had revenue growth of 27%, while growth in billed and unbilled deferred revenue was 16% relative to the expectation of growth acceleration over the coming years and potentially reaching the mid and upper teens. Help put some context around the deferred revenue growth below the realized revenue growth for Enterprise. It would be helpful to have some insight for me there.

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

Great. Steve, do you want to talk about the walk from...

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

Yes. Jeff. So yes, I'll just kind of remind everybody on the phone, which I'm sure most know, but a reminder how this works. So when we deliver days, et cetera, ship materials or to deliver days, we record that revenue as the transaction takes place. And then, as you know, the next level up from that is that when we invoice for a contract we normally invoice 1 year in advance, we put that 1 year on the balance sheet as deferred revenue, and that revenue comes off evenly for the coming 12 months.

And then if it's a multiyear contract that we enter into, we normally -- let's say, it's a 3-year contract. We bill for the first year, and then we do -- and we put that on the balance sheet. But the second and third years are in the unbilled deferred that is off balance sheet. So we always have those 3 levels. The deferred revenue on the balance sheet comes off evenly every month. But the unbilled deferred -- the unbilled deferred that's off balance sheet comes on in annual chunks because we bill a year in advance. And so those contracts are coming off a full year at a time being added to the balance sheet and then coming off the balance sheet evenly.

That's all just to say, it's a little bit complicated. And in this third quarter, we put -- \$28.8 million we added to deferred revenue, whereas

last year, it was \$22.7 million. So that was more. We added \$8 million to unbilled deferred where it was \$9 million the year before. That's \$1 million less, but you notice quickly that last quarter, we added \$4 million more to unbilled deferred. And in the first quarter, we added \$3 million more. So that's just kind of a reflection of how the multiyear contracts were sold in these 3 quarters. So the year-to-date number looks really good for the contracted amount.

And for the invoiced amount, it was just this quarter that was a little bit impacted on the amount of multiyear sales, even though the percentage of multiyear related to those particular sales went up. Was that too many words?

Jeffrey Michael Martin *ROTH Capital Partners, LLC, Research Division - Director of Research & Senior Research Analyst*

That's helpful. I was just -- the reason for the question is that I wanted to get some perspective that deferred revenue growth isn't on a decline, all eventually that catches up to the reported revenue growth. And it sounds like third quarter was somewhat of an anomaly with respect to the addition of multiyear contracts?

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

Yes. The multiyear, it was -- it was a good quarter for what we invoiced.

Jeffrey Michael Martin *ROTH Capital Partners, LLC, Research Division - Director of Research & Senior Research Analyst*

Got it. Okay. And then Paul, I wanted to get a sense in terms of revenue growth acceleration. Key drivers obviously continuing to expand the mix of subscription and related services is probably the biggest. But maybe help give us kind of a pecking order of where you expect the other most meaningful contributions will be? Obviously, client partner growth is going to be a big part of that and then rebound in Asia is going to help. But maybe just kind of help us prioritize, which are the most impactful beyond the increasing concentration of subscription?

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

Yes. I think you actually pecked through the pecking order there. By far, the biggest one is we now have a model, we're 6 years into this that is built to grow. It retains -- we retain substantially all revenue. We add services. So the model is growing. And as that -- and that All Access Pass and related -- and the Leader in Me-related businesses are growing far and above the mid-teens we talk about -- the low teens we talk about. And so as that continues to become a greater and greater percentage of the business, of course, the whole business growth rate increases, which you've said there.

And so I think the drivers of that are, as you mentioned, it's, frankly, more salespeople. It's more time with existing customers. We still have a tremendous amount of headroom to expand inside each of our All Access Pass subscribing clients. We mentioned on previous calls, very few of them are -- we Enterprise with. We're just in there with initial populations that are -- while nice-sized, there was a lot of headroom to grow inside the existing All Access Pass clients in addition to adding new clients in the future. And so I think it's the salespeople to do that.

It's continuing to be smart about how we market and position the company. It's making sure that we have a growing powerful subscription offering that our clients will find appealing. Really, the point to be made here is that I think the model is built to grow, and we're doing the things that cause us to grow, and it's the execution and the perfecting of the things we're doing and doing them at even a higher level of velocity causes subscription to keep growing. And if subscription keeps growing, the whole company growth rate tilts higher and higher.

Jeffrey Michael Martin *ROTH Capital Partners, LLC, Research Division - Director of Research & Senior Research Analyst*

Great. And then I wanted to get a sense with the impact platform, what are some of the opportunities to do things maybe a little different, enhance the value proposition once that's fully rolled out versus what you've been doing in the last 6, 7 years with the subscription model?

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

Thanks for calling it the impact platform. We want to be the impact at scale company, and we thought that's the right -- this is the right thing to call that. And so again, as a reminder, what this platform does is it is a technology platform kind of a lowercase P, if you will,

platform. But it's also an uppercase P Platform, where we're doing something unique in the industry. We're platforming, if you will, what historically were or kind of 3 or 4 fairly disparate things that companies have tried to pull together.

Really good content, delivered in cohort experiences. Everybody kind of knows that and the industry knows that to sit at your computer and watch something by yourself, you might have your own individual aha, but it's kind of a lousy way to drive collective ahas and behavior change that an organization really needs. So what you need is you need a place to convene where people can come together in an easy way with other people in their organization and have these facilitated experiences where together, you're wrestling through things, you're learning things and you're talking about how to apply them.

And that there can be coaching for those organizations that want to support that experience with one-on-one or team-based coaching. So it's this capital P Platform takes great content, marries it up with our instructors, our consultants and/or client facilitated, if the client wants to do that. And then all the in between in the seams of your workday and workweek self follow up and reinforcement that you need to make to sustain behavior change. And it integrates that all onto one capital P Platform that's elegant and easy for our buyers to deploy.

Prior to the Impact platform prior to Strive, clients want to do that, but it's very difficult for them to have to piece all that together. It's not a seamless experience and it requires a lot of back-end work. We take all that work away from them and make it fairly push-button easy. And then on the flip 5 for the user, if you or I are going through this, we're now -- what we need to do is being served up to us. We don't have to go away for 2 days of training, make a bunch of notes and make commitments, get back to the day jobs, forget everything we learned and get on and it's just kind of -- we did that. We were there. We did it and didn't really change our behavior.

Now this platform is powering you or me or any of us that are on this call through a multimodal experience over the course of time and measuring our behavior change over time. And so it's very elegant and easy for the user. It's also very elegant and simple for the administrator to help us do something that's not actually easy to do, which is to engage somebody and help change their behavior over time. So the opportunities for that are it's a very attractive thing. And so when you go out and talk to new clients, they're attracted by that or attracted to that.

So the win rate, new clients, new logos, et cetera, ought to go up over time as we get this out there. Second, it's built to drive even more services, right? It's so seamlessly integrates the people component the consultants -- and so we expect to continue to see services grow as a result. And then because it makes it easier for the buyer to deploy it at scale to larger populations of people, we think it ought to help us drive increased expansion, as I mentioned a minute ago. We're still -- we have lots of headroom to penetrate inside our existing customers. And we think this Impact platform will help us do that as well.

Operator

And we have no more questions at this time. I'll turn it back to Paul Walker for final comments.

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

Thank you, Darryl. Thank you, everyone, for being with us today. Thanks for just continuing to be with us on this journey. We are grateful to you, and we're grateful to have been able to visit with you for a commit today, and we're grateful for a good third quarter. And we hope you have a great rest of your day and a great upcoming 4th.

Operator

And thank you. Ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.

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