



Investor Update

Third Quarter of Fiscal Year 2016

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 ability of the Company to hire productive sales professionals; General economic conditions; Competition in the Company's targeted marketplace; Market acceptance of new products or services and marketing strategies; Changes in the Company's market share; Changes in the size the overall market for the Company's products; Changes in the training and spending policies of the Company's clients, and other factors identified and discussed in the Company's most recent Annual Report on Form 10-K and other periodic reports filed with the Securities and Exchange Commission. Many of these conditions are beyond our control or influence, any one of which may cause future results to differ materially from the Company's current expectations, and there can be no assurance the Company's actual future performance will meet management's expectations. These forward-looking statements are based on management's current expectations and we undertake no obligation to update or revise these forward-looking statements to reflect events or circumstances after the date of today's presentation, except as required by law.

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

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

All Access Pass

*For the period ended
(in thousands)*

	Q1 FY 16	Q2 FY 16	Q3 FY 16
AAP Revenue Recognized	264	1,906	3,407
Cumulative AAP Revenue Recognized	264	2,171	5,578

*As of the fiscal period ended
(in thousands)*

	Q1 FY 16	Q2 FY 16	Q3 FY 16
Qtr. Change in AAP Deferred Revenue Accrual	119	1,008	1,579
AAP Deferred Revenue Accrual Balance	119	1,127	2,706

All Access Pass Sales

	FY16					FY17					FY18				
	Q1A	Q2A	Q3A	Q4	FY16	Q1	Q2	Q3	Q4	FY17	Q1	Q2	Q3	Q4	FY18
	Actual	Actual	Actual												
AAP Recorded Sales															
Sales made and recognized in the Quarter	264	1,807	2,961	5,000	10,032	4,211	5,446	6,369	8,000	24,026	7,369	8,356	9,095	10,400	35,220
Recognition of past Deferred Sales	-	100	458	1,255	1,813	1,824	2,477	3,066	3,398	10,765	4,136	4,652	5,129	5,570	19,487
Total Recognized AAP Sales	264	1,907	3,419	6,255	11,845	6,035	7,923	9,435	11,398	34,790	11,505	13,008	14,224	15,970	54,708
Reversal of Deferred Sales VS new Deferred Sales		9%	22%	38%	27%	65%	68%	72%	64%	67%	84%	84%	85%	80%	83%

Notes:

- 1) The amounts shown above do NOT represent actual estimated future AAP Sales. This schedule is to show readers the relationship between recognized sales and deferred sales, as the amount of AAP Sales grows. As such, these numbers should not be used to estimate future earnings, or profitability.
- 2) The calculation above is based upon \$4M of new AAP sales each quarter of fiscal 2017 and fiscal 2018, and 80% renewal of the prior AAP sales.

All Access Pass Deferred Revenue

AAP Deferred Sales (Balance Sheet)

	FY16					FY17					FY18				
	Q1A	Q2A	Q3A	Q4	FY16	Q1	Q2	Q3	Q4	FY17	Q1	Q2	Q3	Q4	FY18
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>												
Deferred Sales - additions	119	1,107	2,035	3,333	6,594	2,807	3,630	4,246	5,333	16,017	4,913	5,571	6,063	6,933	23,480
Deferred Sales - recognized as Sales	-	(100)	(458)	(1,255)	(1,813)	(1,824)	(2,477)	(3,066)	(3,398)	(10,765)	(4,136)	(4,652)	(5,129)	(5,570)	(19,487)
Net Deferred Sales	119	1,007	1,577	2,078	4,781	983	1,153	1,180	1,936	5,252	777	919	934	1,363	3,993
Deferred Sales Balance	119	1,126	2,703	4,781	4,781	5,765	6,918	8,098	10,034	10,034	10,811	11,730	12,664	14,027	14,027
Deferred balance as a percentage of annualized sales					5%					9%					12%

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Comparative Results

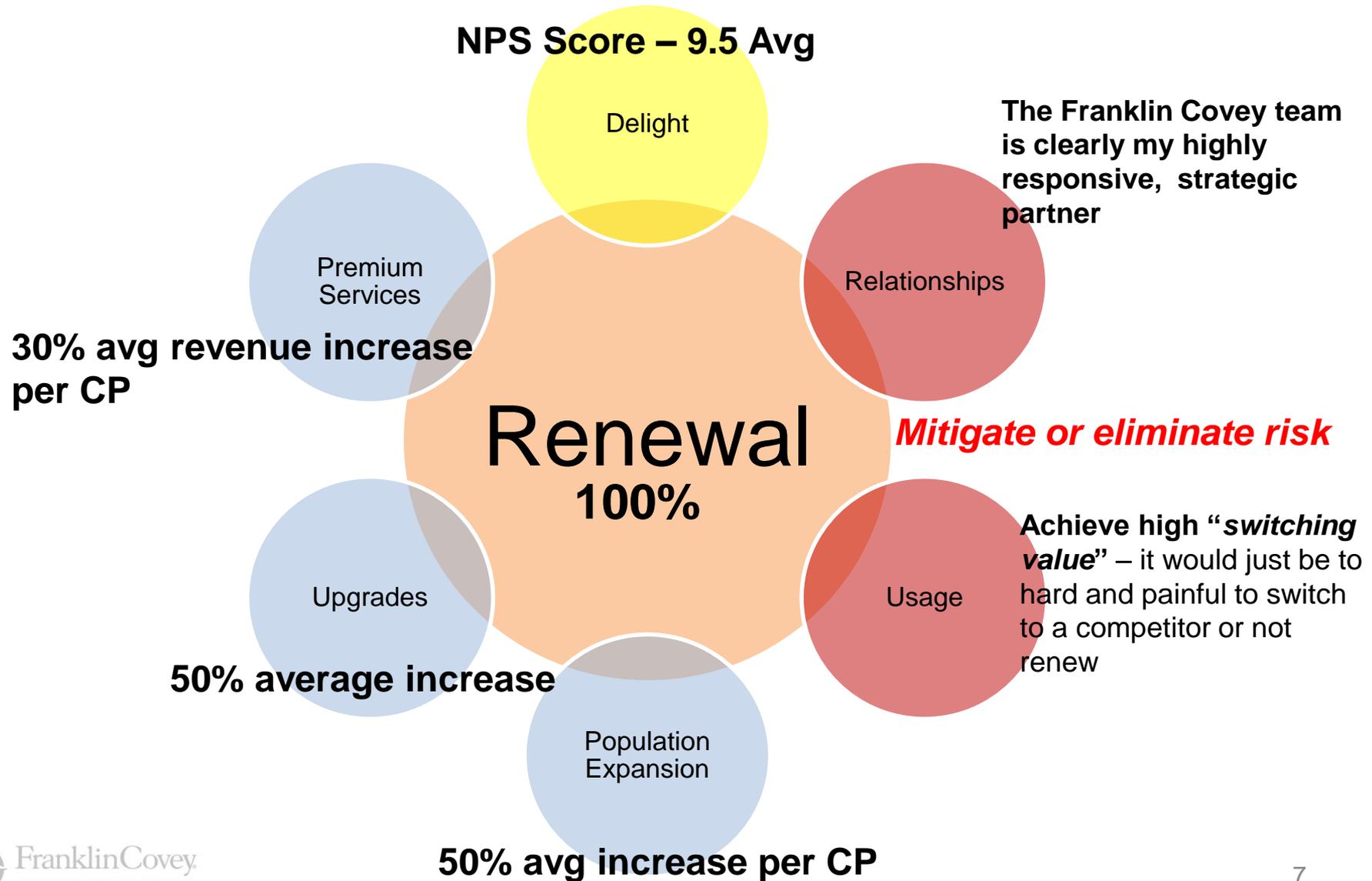
(in thousands)

	Revenue FY 15 vs FY 16	Adjusted EBITDA ⁽⁴⁾ FY 15 vs FY 16
YTD Fiscal 2015 Results	\$ 142,497	\$ 14,590
Less Impact of Foreign Currency	(1,508)	(1,184) ⁽¹⁾
Less Impact of large government contract	(6,540)	(3,760) ⁽²⁾
Plus Comparative Increase	775	1,029 ⁽³⁾
YTD Fiscal 2016 Results	<u>\$ 135,224</u>	<u>\$ 10,675</u>
	<u>As of May 28, 2016</u>	
All Access Pass Deferred Revenue	\$ 2,706	

Notes:

- 1) Represents the negative impact of changes to foreign exchange rates from Fiscal 2015 to Fiscal 2016
- 2) Represents the negative impact of the large government contract not repeating
- 3) Represents the increase from Fiscal 2015 to Fiscal 2016 of the remaining operations
- 4) Please see the reconciliation of Adjusted EBITDA to Net Income contained in this package

Ends in Mind



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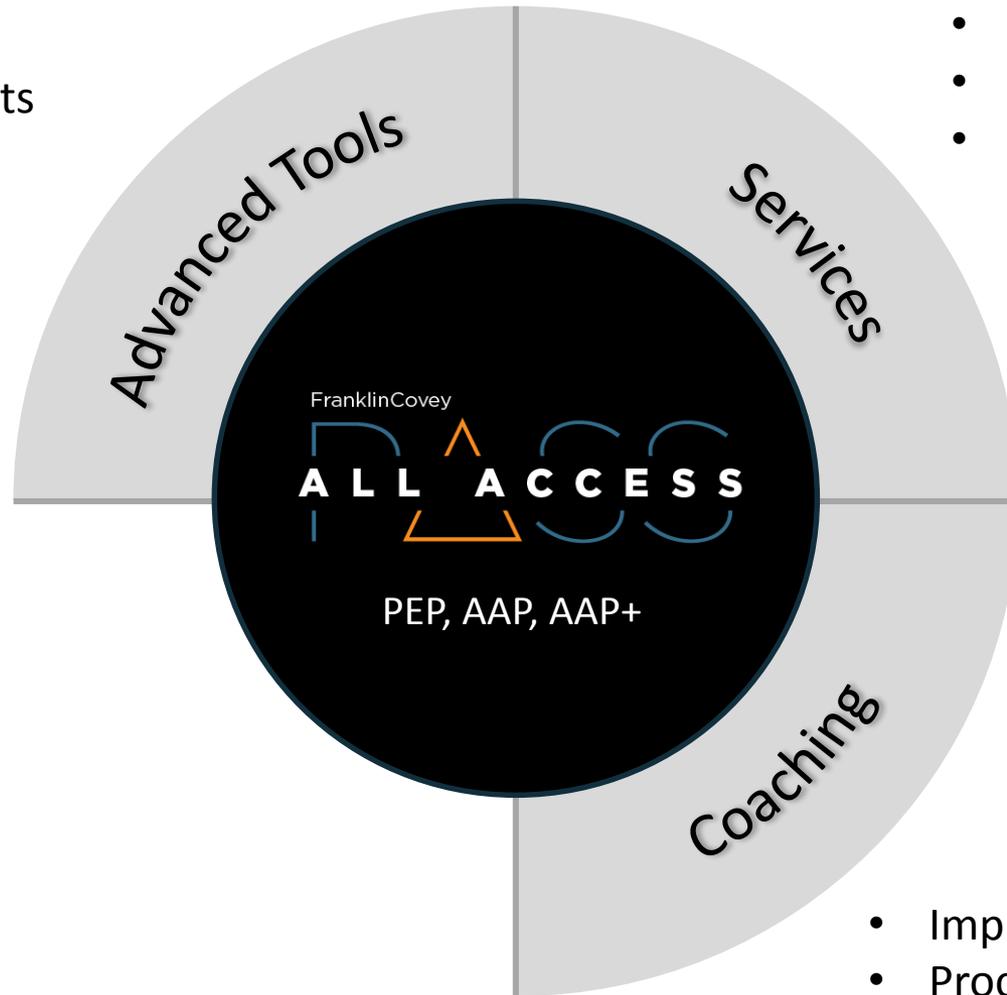
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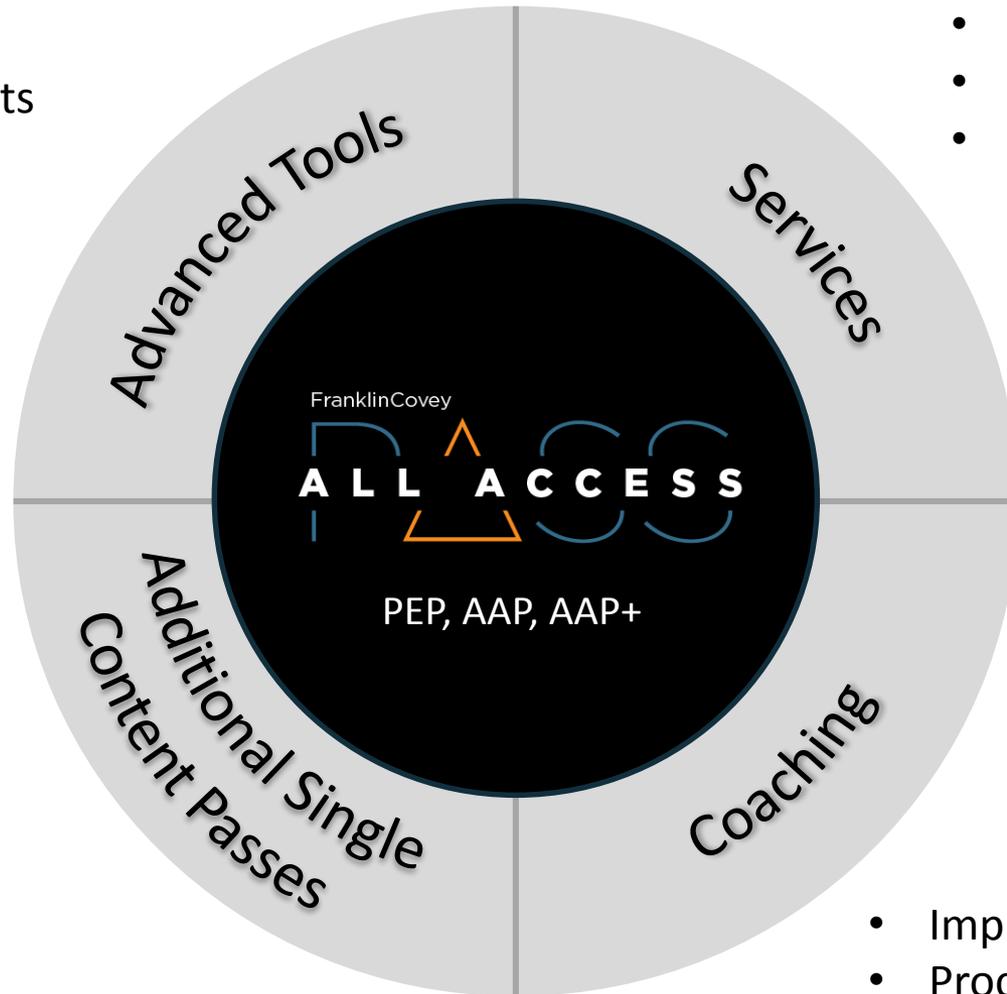
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- Solution Installation
- Consultation
- Customization
- LMS Integration

- Implementation Coaching
- Process Coaching
- Executive Coaching

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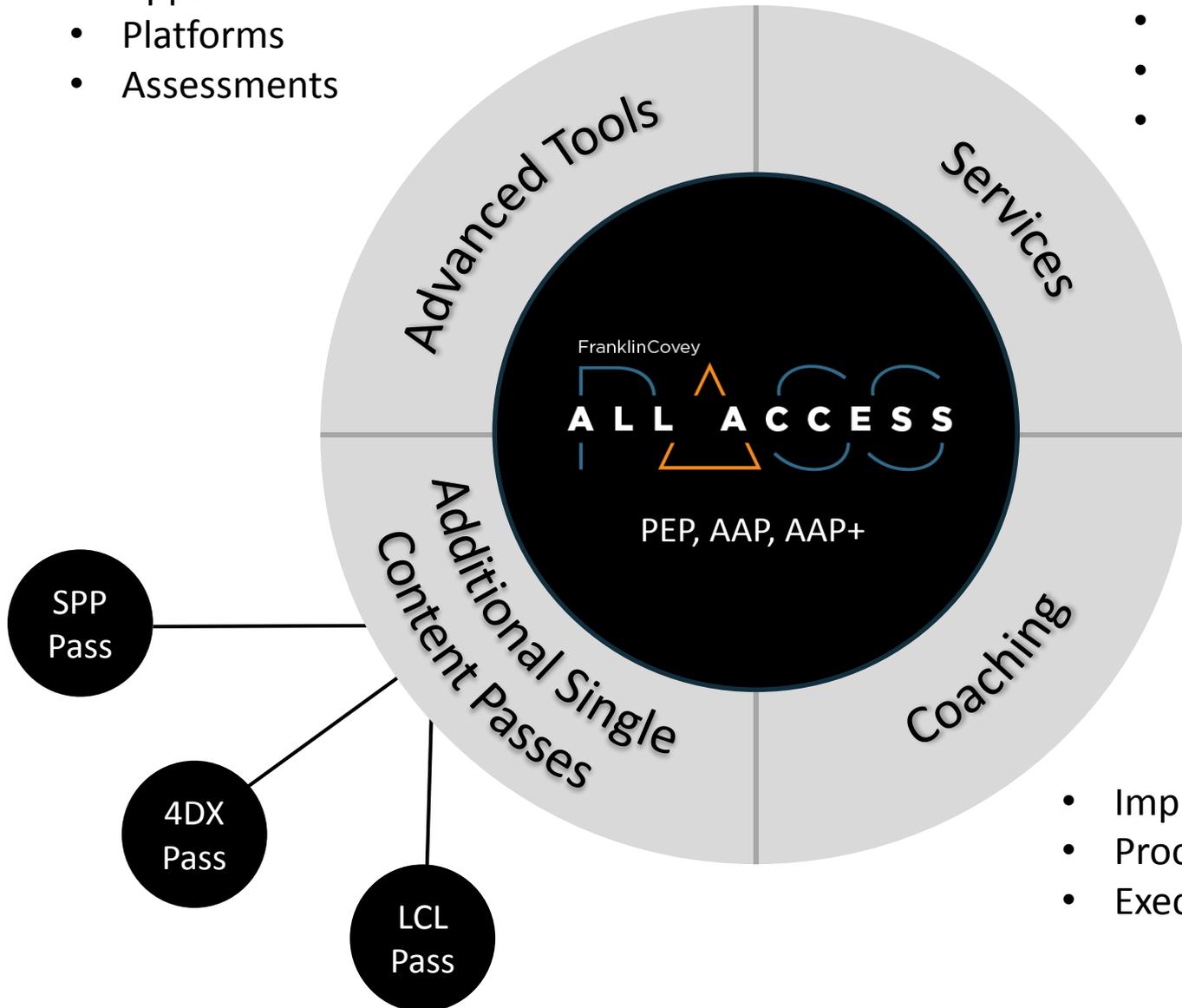


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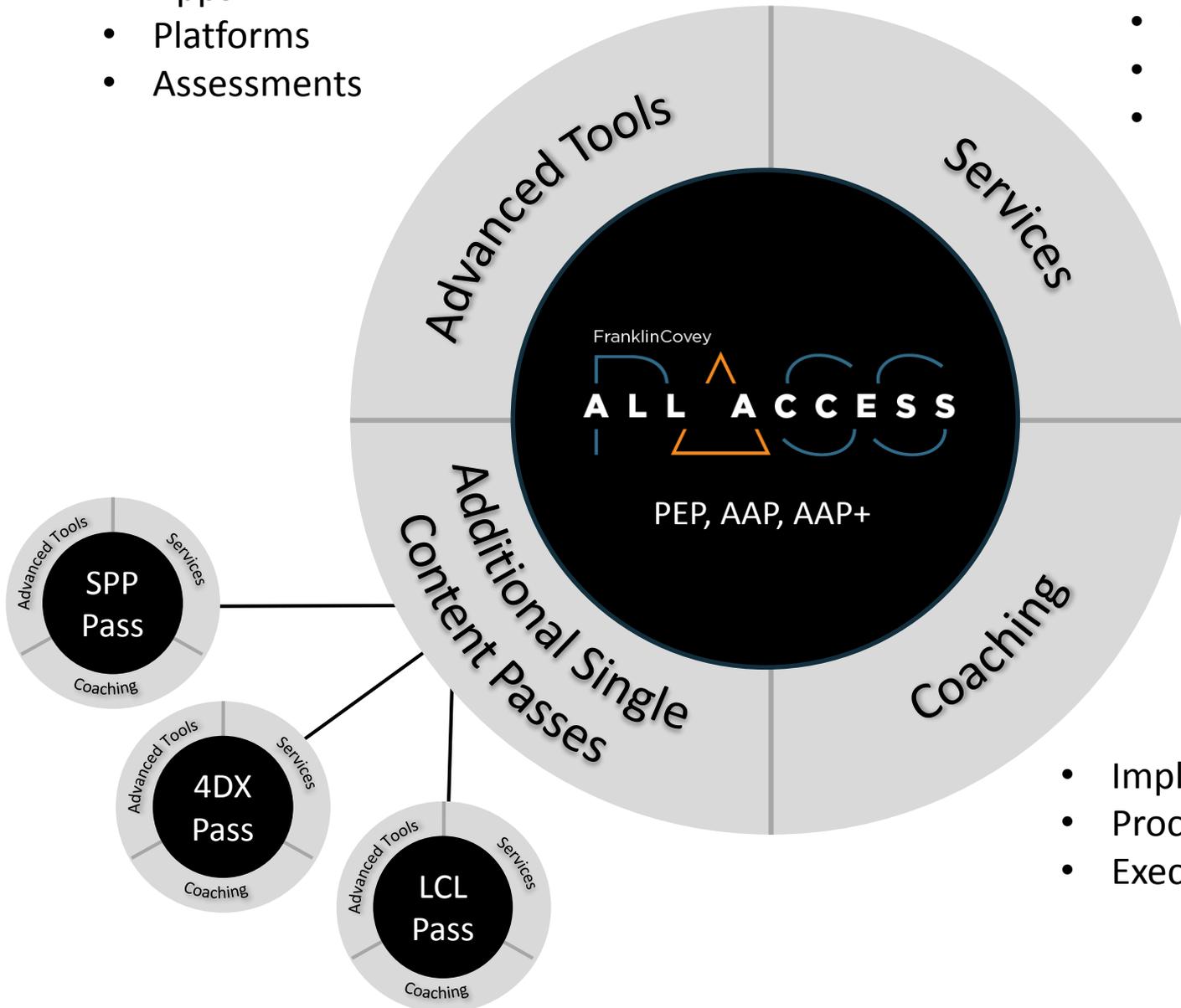
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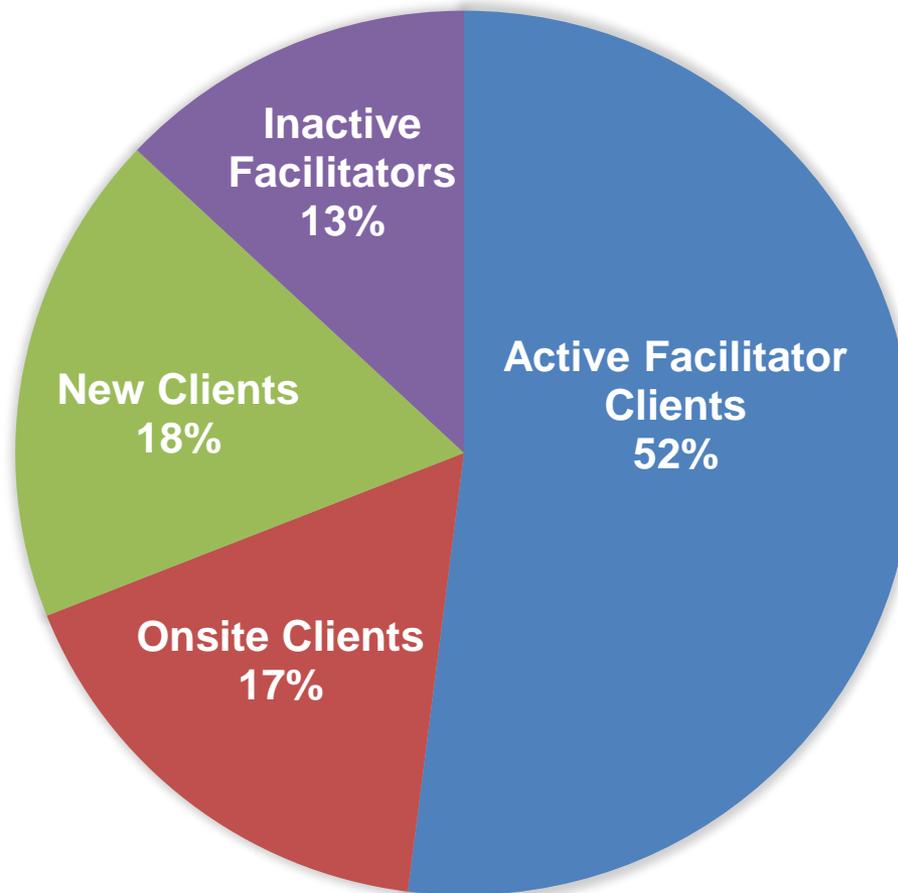
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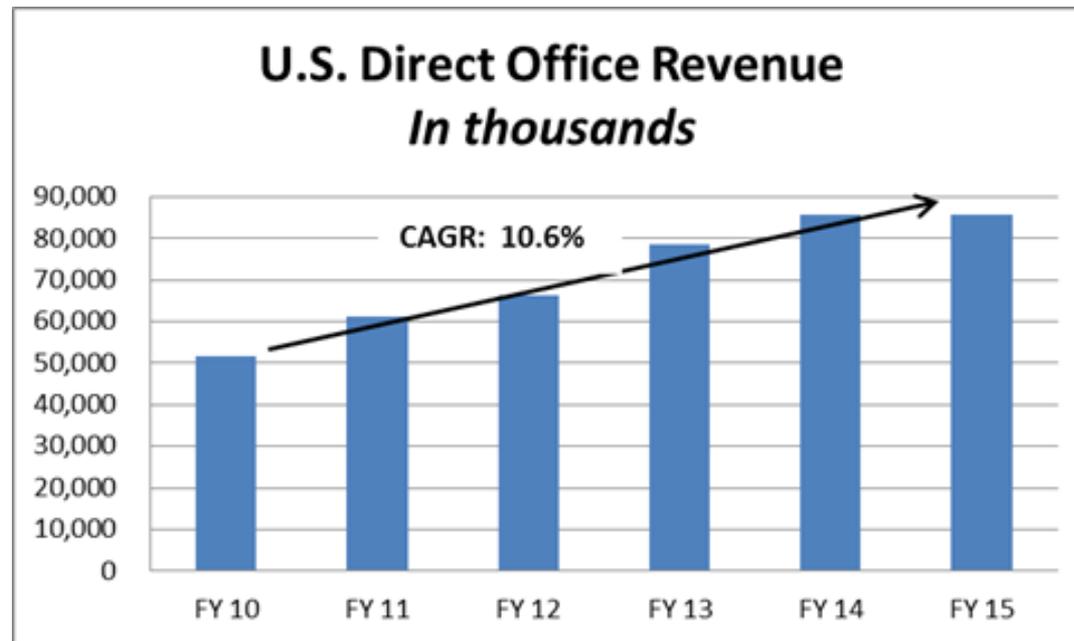


- Implementation Coaching
- Process Coaching
- Executive Coaching

329 AAP Holders US Direct Only



U.S. Direct Office Revenue



Reconciliation of Net Income (Loss) to Adjusted EBITDA

FRANKLIN COVEY CO.

Reconciliation of Net Income to Adjusted EBITDA

(in thousands and unaudited)

	Quarter Ended		Three Quarters Ended	
	May 28, 2016	May 30, 2015	May 28, 2016	May 30, 2015
Reconciliation of net income to Adjusted EBITDA:				
Net income (loss)	\$ (1,052)	\$ 1,191	\$ (710)	\$ 3,447
Adjustments:				
Interest expense, net	483	428	1,416	1,283
Discount on related party receivable	-	233	-	364
Income tax provision (benefit)	(689)	(438)	(465)	1,089
Amortization	722	912	2,541	2,818
Depreciation	1,003	980	2,809	2,984
Share-based compensation	1,048	592	2,922	1,602
Restructuring costs	-	-	376	-
Impairment of assets	-	1,082	-	1,082
Increase (reduction) to contingent earnout liability	88	(51)	1,456	(79)
Other expense (income)	191	(65)	330	-
Adjusted EBITDA	<u>\$ 1,794</u>	<u>\$ 4,864</u>	<u>\$ 10,675</u>	<u>\$ 14,590</u>

Note:

The Company defines Adjusted EBITDA as net income or loss from operations excluding the impact of interest expense, income tax expense, amortization, depreciation, share-based compensation expense, and certain other items such as adjustments to the fair value of expected earn out liabilities resulting from the acquisition of businesses. 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.

Other Information

Other Income Statement Information:

- Depreciation: \$4.1M in FY2015, expected to total approximately \$4.0M in FY2016.
- Amortization: \$3.7M in FY2015, expected to total approximately \$3.3M in FY2016.
- Net Interest and Discount: \$2.2M in FY2015, expected to total approximately \$2.2M in FY2016.
- Effective Tax Rate: 36% in FY2015, expected to be approximately 41% in FY2016.
- Share-based Compensation, Impaired Assets, Restructuring and Other, totaling: \$4.5M in FY2015; Share-Based Compensation, Restructuring, ERP Implementation, possible Earnout and Other, expected to total approximately \$7.1M in FY2016.

Other Information:

- Capital Expenditures: \$2.4M in FY2015, expected to total approximately \$5.2M (including new ERP system) in FY2016.
- Capitalized Curriculum: \$2.2M in FY2015, expected to total approximately \$3.0M in FY2016.
- Share Count: 14,162K shares outstanding as of May 28, 2016. The Company's share count may increase due to the vesting of share-based awards, and decrease due to the company buying back shares under its authorized share buy-back program.

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