



Investor Update

Fourth 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.

Strong All Access Pass Growth

	<i>1st Quarter</i>	<i>2nd Quarter</i>	<i>3rd Quarter</i>	<i>4th Quarter</i>	<i>Fiscal 2016</i>
Total Invoiced Pass Amounts*	383,400	3,077,150	5,806,171	12,217,311	21,484,031
AAP Services and Materials	-	-	235,375	1,507,185	1,742,560
Total Invoiced Amounts	383,400	3,077,150	6,041,546	13,724,496	23,226,591
Share of Total Amounts Invoiced	2%	14%	26%	47%	24%
Net Deferral Recorded	(119,020)	(1,060,367)	(1,889,152)	(4,186,032)	(7,254,572)
Portion of Invoiced AAP Amounts in Period as Revenue	264,380	2,016,782	4,152,393	9,538,464	15,972,019
Balance of AAP Deferred Revenue	119,020	1,179,387	3,068,540	7,254,572	7,254,572

*Total amounts invoiced represents amounts billed and due from the customer. They do not represent contracts for future services yet to be billed.

Total Invoiced Amounts of Intellectual Property (including AAP) have Also Grown Significantly

Since the introduction of AAP in the second quarter, total invoiced amounts of intellectual property sales have accelerated significantly.

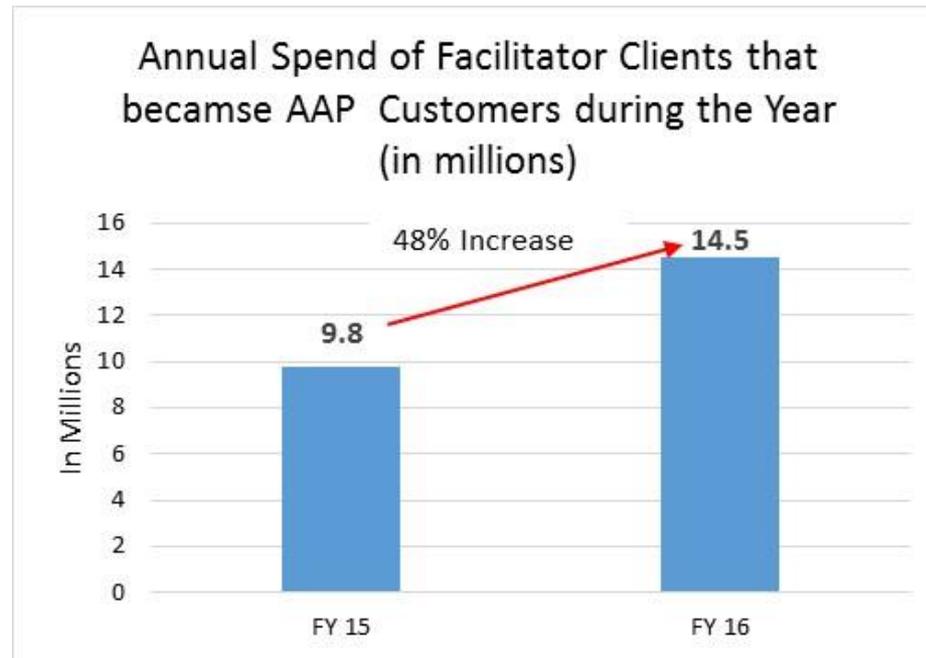
Fiscal 2016					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal 2016
Contracted AAP Passes	383,400	3,077,150	5,806,171	12,217,311	21,484,031
Facilitator and IP Revenue	11,021,921	13,807,097	11,005,709	18,640,161	54,474,888
My 4DX Contracts	836,572	1,151,199	967,489	1,165,483	4,120,743
Total	12,241,893	18,035,446	17,779,368	32,022,955	80,079,662

Fiscal 2015					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal 2015
Contracted AAP Passes	-	-	-	-	-
Facilitator and IP Revenue	12,432,372	13,017,496	12,613,821	23,925,163	61,988,851
My 4DX Contracts	740,041	935,876	924,874	1,213,123	3,813,914
I.P. Revenue Reported	13,172,413	13,953,372	13,538,694	25,138,286	65,802,765

YOY Percentage Growth	-7.1%	29.3%	31.3%	27.4%	21.7%
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A portion of this growth in IP has been offset by declines in onsite consulting days.

Annual Spend



Fourth Quarter Economics

4th Quarter Economics				
(in \$Millions)				
	4th Qtr FY15	4th Qtr FY16	Change	Percent
Invoiced Amount	\$70.7	\$73.1	\$2.4	3.4%
Recognized Revenue	67.4	64.8	(2.6)	-3.9%
Percent of amount Recognized to Invoiced	95%	89%	-7%	
Net Increase in Deferred Revenue	3.3	8.3	5.0	151.5%
Adjusted EBITDA Reported	17.3	16.2	(1.1)	-6.4%
Net Increase in Adjusted EBITDA imbedded in Deferred Revenue*	3.1	7.4	4.3	139%

*Net Increase in Adjusted EBITDA imbedded in Deferred Revenue represents the increase of the Balance Sheet accounts of deferred subscription revenue less the increase in prepaid commissions paid to client partners in advance of the revenue being recognized recorded on the Balance Sheet. It does not consider certain insignificant costs of royalties due on the delivery of curriculum or the fixed cost associated with the delivery of certain elements of deferred revenue as these costs has not been incurred at year-end.

Fourth Quarter Results

(in Millions)

4th Quarter Results

Selected Information for 4th Quarter FY 15

Selected Information for 4th Quarter FY 16

Amount Invoiced		\$70.7	
Amounts Reported		Amounts Deferred	
Revenue	\$ 67.4	Net Increase in Deferred Subscription Revenue	3.3
Gross Profit	46.5	Increase in Deferred Revenue	
Gross Profit Percentage	69.0%	Related Prepaid Expenses	(0.3)
Adjusted SG&A	29.3		
Adjusted EBITDA	17.3	Embedded Adj. EBITDA Contribution Created	3.1

Amount Invoiced		\$73.1	
Amounts Reported		Amounts Deferred	
Revenue	\$ 64.8	Net Increase in Deferred Subscription Revenue	8.3
Gross Profit	45.7	Increase in Deferred Revenue	
Gross Profit Percentage	70.4%	Related Prepaid Expenses	(0.9)
Adjusted SG&A	29.4		
Adjusted EBITDA	16.2	Embedded Adj. EBITDA Contribution Created	7.4

Year over Year Results

(in Millions)

Year over Year Results

Selected Information for FY 2015

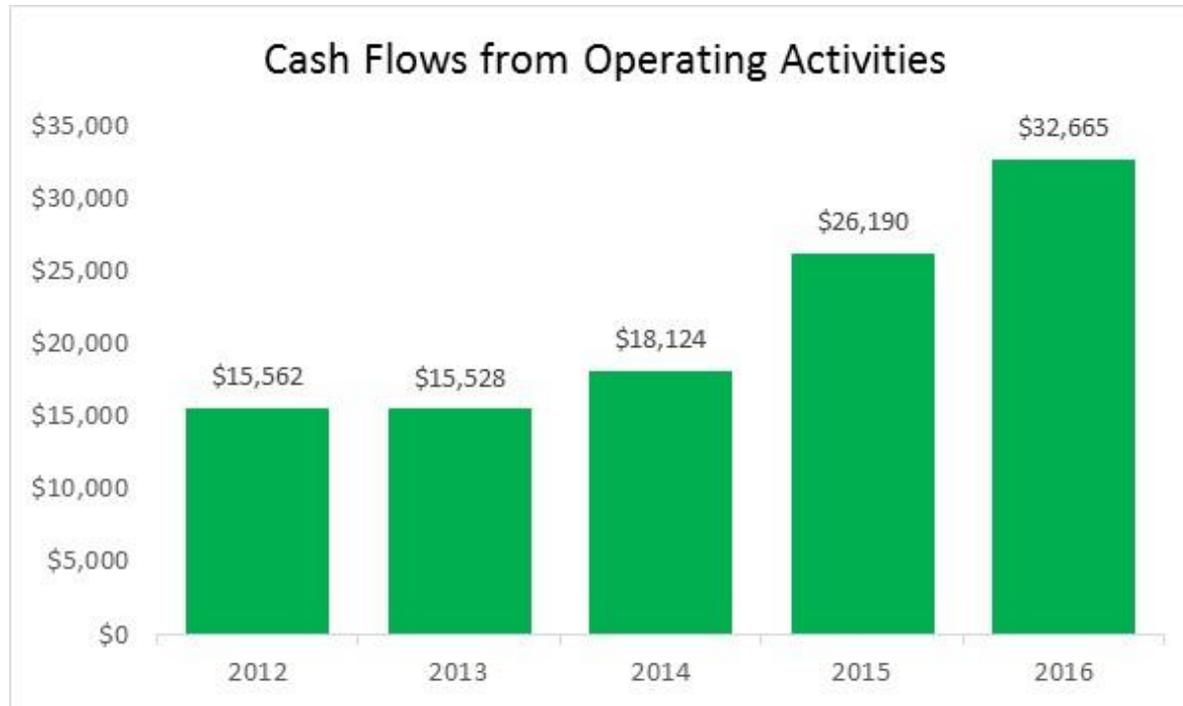
Selected Information for FY 2016

Amount Invoiced		\$212.4	
Amounts Reported		Amounts Deferred	
Revenue	\$ 209.9	Net Increase in Deferred Subscription Revenue	2.5
Gross Profit	138.1	Increase in Deferred Revenue	
Gross Profit Percentage	65.8%	Related Prepaid Expenses	(0.6)
Adjusted SG&A	106.2		
Adjusted EBITDA	31.9	Embedded Adj. EBITDA Contribution Created	1.9

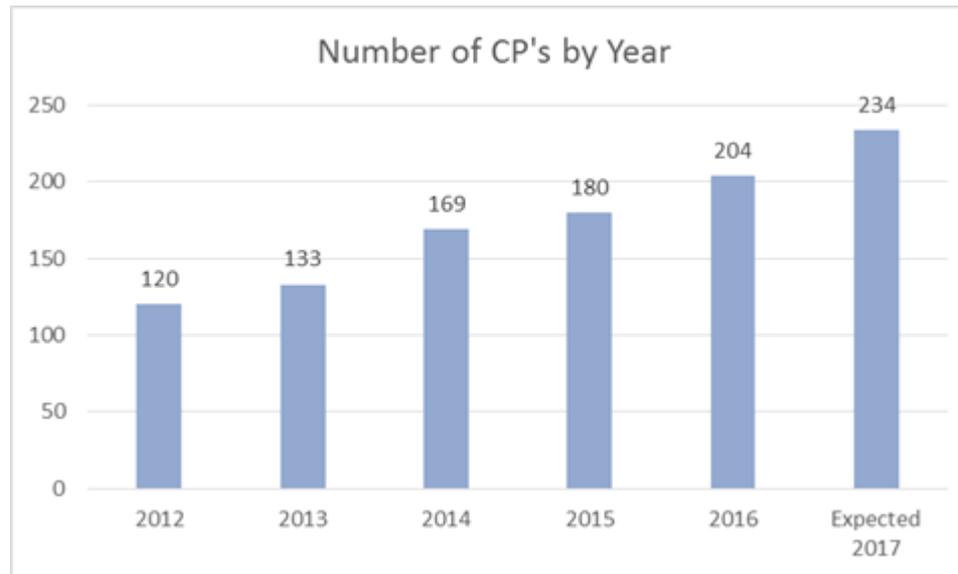
Amount Invoiced		\$208.7	
Amounts Reported		Amounts Deferred	
Revenue	\$ 200.1	Net Increase in Deferred Subscription Revenue	8.6
Gross Profit	135.2	Increase in Deferred Revenue	
Gross Profit Percentage	67.6%	Related Prepaid Expenses	(1.1)
Adjusted SG&A	108.3		
Adjusted EBITDA	26.9	Embedded Adj. EBITDA Contribution Created	7.5

Cash Flows from Operating Activities

(in Thousands)



Client Partner Count



Selected Financial Information

(in Thousands)

<i>For The Year Ended August 31</i>	<i>2015</i>	<i>2016</i>	<i>Difference</i>
Revenue	209,941	200,055	(9,886)
Gross Profit	138,089	135,154	(2,935)
Adjusted SG&A	106,231	108,260	2,029
Adjusted EBITDA	31,858	26,894	(4,964)

<i>As of August 31,</i>	<i>2015</i>	<i>2016</i>	<i>Difference</i>
Subscription Related Deferred Revenue *	6,845	15,461	8,615
Customer Deposits and Other Deferred Revenue	5,940	5,386	(553)
Total Deferred Revenue	12,785	20,847	8,062

<i>For The Year Ended August 31</i>	<i>2015</i>	<i>2016</i>	<i>Difference</i>
Net Cash Provided by Operating Activities	26,190	32,789	6,599

*Subscription related Deferred Revenue has an anticipated 15% of direct costs, plus an additional \$1.1M of other compensation charges. After excluding these costs, it is anticipated the increase in Subscription related deferred revenue would have a \$6.2M of additional contribution.

Other Information

Other Income Statement Information:

- Depreciation: \$3.7M in FY2016, expected to total approximately \$3.9M in FY2017.
- Amortization: \$3.3M in FY2016, expected to total approximately \$2.9M in FY2017.
- Net Interest and Discount: \$1.9M in FY2016, expected to total approximately \$2.2M in FY2017.
- Effective Tax Rate: 41% in FY2016, expected to be approximately 41% in FY2017.
- Share-based Compensation, Impaired Assets, Restructuring, ERP Implementation, Accrued Earnout and Other, totaling: \$6.1M in FY2016; Share-Based Compensation, ERP Implementation, possible Earnout and Other, expected to total approximately \$7.0M in FY2017.

Other Information:

- Capital Expenditures: \$4.0M in FY2016, expected to total approximately \$5.4M (including new ERP system) in FY2017.
- Capitalized Curriculum: \$2.2M in FY2016, expected to total approximately \$8.0M in FY2017.
- Share Count: 13,792K shares outstanding as of October 31, 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.

FRANKLIN COVEY CO.**Reconciliation of Net Income (Loss) to Adjusted EBITDA**

(in thousands and unaudited)

	Quarter Ended		Fiscal Year Ended	
	August 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 7,726	\$ 7,669	\$ 7,016	\$ 11,116
Adjustments:				
Interest expense, net	523	470	1,938	1,754
Discount on related party receivable	-	-	-	363
Income tax provision (benefit)	5,360	5,207	4,895	6,296
Amortization	721	909	3,263	3,727
Depreciation	868	1,158	3,677	4,142
Share-based compensation	199	934	3,121	2,536
Restructuring costs	400	587	776	587
Impairment of assets	-	220	-	1,302
Increase (reduction) to contingent earnout liability	82	114	1,538	35
Other expense (income)	340	-	670	-
Adjusted EBITDA	<u>\$ 16,219</u>	<u>\$ 17,268</u>	<u>\$ 26,894</u>	<u>\$ 31,858</u>
Adjusted EBITDA margin	25.0%	25.6%	13.4%	15.2%

FRANKLIN COVEY CO.**Additional Sales and Financial Information**

(in thousands and unaudited)

	Quarter Ended		Fiscal Year Ended	
	August 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015
Sales Detail by Division:				
Direct offices	\$ 31,494	\$ 35,701	\$ 103,613	\$ 113,087
Strategic markets	8,142	8,886	29,778	37,039
Education practice	18,210	15,879	40,361	33,128
International licensees	4,535	4,256	17,629	17,100
Corporate and other	2,450	2,722	8,674	9,587
Total	<u>\$ 64,831</u>	<u>\$ 67,444</u>	<u>\$ 200,055</u>	<u>\$ 209,941</u>
Sales Detail by Category:				
Training and consulting services	\$ 61,915	\$ 64,303	\$ 189,661	\$ 198,695
Products	1,884	2,039	6,009	6,885
Leasing	1,032	1,102	4,385	4,361
	<u>64,831</u>	<u>67,444</u>	<u>200,055</u>	<u>209,941</u>
Cost of Goods Sold by Category:				
Training and consulting services	17,375	19,303	59,158	66,370
Products	1,125	995	3,206	3,306
Leasing	664	599	2,537	2,176
	<u>19,164</u>	<u>20,897</u>	<u>64,901</u>	<u>71,852</u>
Gross Profit	<u>\$ 45,667</u>	<u>\$ 46,547</u>	<u>\$ 135,154</u>	<u>\$ 138,089</u>