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We transform organizations by building exceptional leaders, teams, and cultures that get results.



FranklinCovey™

INVESTOR UPDATE

Second Quarter Fiscal 2025



Forward-Looking Statements/Non-GAAP



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

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

This presentation uses the non-GAAP financial measures of Adjusted EBITDA, Free Cash Flow, and "constant currency." The Company defines Adjusted EBITDA as net income excluding the impact of interest, income taxes, intangible asset amortization, depreciation, stock-based compensation expense, and certain other infrequently occurring items such as restructuring costs. Free Cash Flow is defined as GAAP calculated cash flows from operating activities less capitalized expenditures for purchases of property and equipment, curriculum development, and content or license rights. Constant currency is a non-GAAP financial measure that removes the impact of fluctuations in foreign currency exchange rates and is calculated by translating the current period's financial results at the same average exchange rates in effect during the prior year and then comparing this amount to the prior year. These non-GAAP financial measures may not be comparable to similar measures used by other companies and should not be used as a substitute for revenue, net income, or other GAAP operating measures.

Today's Topics



EXTERNAL
ENVIRONMENT
IMPACT

ENTERPRISE
AREAS OF
STRENGTH AND
TRACTION

EDUCATION
AREAS OF
STRENGTH AND
TRACTION

External Environment



EXTERNAL ENVIRONMENT IMPACT

Driven in large part by the actions being taken by the Government, we are experiencing revenue impact from the external environment creating a difference to our original plan in the following areas:

- \$5M Government Direct Business
- \$4M International Business
- \$3M Education Business
- \$3M Additional Impact in the Year

Guidance



	Prior Year	Original Low-End Guidance	New Guidance Range	Difference
Revenue	\$287M	\$295M	\$275M-\$285M	\$10M-\$20M
EBITDA	\$55.3M	\$40M*	\$30M-\$33M	\$7M-\$10M

*Includes \$16M of growth investments

Enterprise Strengths



ENTERPRISE AREAS OF STRENGTH AND TRACTION

The strategic strength of our overall business and business model continue to be very strong as reflected in the following North America metrics:

- 61% of revenue in a multi-year contract
- \$85k average revenue per AAP client
- 5% YOY increase in services booking pace
- 150% achievement of Q2 new logo plan
- 108% achievement to expansion plan

Education Strengths



EDUCATION
AREAS OF
STRENGTH AND
TRACTION

Education continues to be strong:

- 7% revenue growth YTD
- 13% invoiced growth YTD
- Successfully selling to schools, districts, and states
- 7,800 Leader In Me schools globally

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Q2FY25 and Q2FY25 YTD Unaudited



\$59.6M

Q2FY25 Revenue

\$61.3M Q2FY24

\$128.7M

Q2FY25 YTD Revenue

\$129.7M Q2FY24 YTD

\$2.1M

Q2FY25 Adjusted EBITDA

\$7.4M Q2FY24

\$46.6M

Q2FY25 LTM Adjusted EBITDA

\$46.8M Q2FY24 LTM

\$94.4M

**Deferred Subscription
Revenue Balance**

\$86.1M Q2FY24

\$7.8M

YTD Q2FY25 Free Cash Flows

\$24.7M Q2FY24 YTD

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

Enterprise Division – North America

Q2FY25 Unaudited



\$34.5M

Revenue

\$35.6M Q2FY24

\$20.5M

Subscription Revenue

\$22.0M Q2FY24

\$30.2M

**Subscription & Subscription
Services Revenue**

\$31.5M Q2FY24

\$47.4M

**Billed Deferred Revenue
Balance**

\$48.9M Q2FY24

\$59.2M

**Unbilled Deferred Revenue
Balance**

\$67.9M Q2FY24

61%

AAP Multi-Year Contract Value

Enterprise Division - International

Q2FY25 Unaudited



\$6.2M

Revenue - International Direct

\$7.3M Q2FY24

\$2.8M

**Revenue - International Licensee
Partners**

\$2.8M Q2FY24

Education Division

Q2FY25 Unaudited



\$15.1M

Revenue

\$14.7M Q2FY24

\$8.6M

Invoiced Amounts

\$9.9M Q2FY24

\$13.5M

**Subscription & Subscription
Service Revenue**

\$12.9M Q2FY24

\$37.8M

**Deferred Subscription Revenue
Balance**

\$29.4M Q2FY24

Appendix



Other Information



OTHER INCOME STATEMENT INFORMATION:

- Depreciation: \$3.9M in FY2024, expected to total approximately \$3.6M in FY2025.
- Amortization: \$4.2M in FY2024, expected to total approximately \$4.4 in FY2025.
- Net Interest Expense: \$0.0M in FY2024 and Net Interest Income expected to total approximately \$0.3M in FY2025.
- Share-based Compensation, Impaired Assets, Restructuring, Accrued Earnout and Other amounts excluded from Adjusted EBITDA totaling \$14.1M in FY2024; expected to total approximately \$14.6M in FY2025.
- Effective Tax Rate: Our normalized future effective tax rate is expected to eventually be 28% to 32%, before unusual permanent book/tax differences. The actual tax rate could be a significantly different percentage, and we are not projecting an FY25 effective rate.

OTHER INFORMATION:

- Capital Expenditures: \$3.7M in FY2024, expected to total approximately \$7.7M to \$9.7M in FY2025.
- Capitalized Curriculum excluding acquired content: \$6.9M in FY2024, expected to total approximately \$7.3M to \$9.3M in FY2025.
- Share Count: 12,988k shares outstanding as of March 31, 2025. The Company's share count may increase due to the vesting and exercise of share-based awards and purchases by Employees under our Employee Stock Purchase Plan and decrease due to the company buying back shares.
- The impact of FX on Revenue in the second quarter of 2025 was a \$0.5M decrease to both Revenue and Adjusted EBITDA. The YTD second quarter impact of FX is a decrease of \$0.4M to revenue and a decrease of \$0.9M to adjusted EBITDA. The impact of FX on Revenue and Adjusted EBITDA in FY2024 was an unfavorable \$900K and \$500K, respectively.

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

APPENDIX

Franklin Covey Financial Headlines

(in Millions and Unaudited)



	<u>Q2 FY 25</u>	<u>Q2 FY 24</u>	<u>Chg</u>	<u>%</u>	<u>YTD Q2 FY 25</u>	<u>YTD Q2 FY 24</u>	<u>Chg</u>	<u>%</u>	<u>LTM Q2 FY 25</u>	<u>LTM Q2 FY 24</u>	<u>Chg</u>	<u>%</u>
Revenue	\$ 59.6	\$ 61.3	(\$1.7)	-2.8%	\$ 128.7	\$ 129.7	(\$1.0)	-0.8%	\$ 286.2	\$ 279.1	\$ 7.0	2.5%
Cost of Sales	13.9	14.5	(0.6)	-4.3%	30.2	30.6	(0.4)	-1.2%	65.8	66.5	(0.7)	-1.0%
Gross Profit	45.7	46.9	(1.1)	-2.4%	98.5	99.1	(0.7)	-0.7%	220.4	212.7	7.7	3.6%
Gross Profit %	76.7%	76.4%	36	bps	76.5%	76.4%	9	bps	77.0%	76.2%	82	bps
Operating SG&A	43.7	39.4	4.3	10.9%	88.7	80.7	8.0	9.9%	173.8	165.8	8.0	4.8%
Operating SG&A %	73.3%	64.2%	(904)	bps	68.9%	62.2%	(672)	bps	60.7%	59.4%	(132)	bps
Adjusted EBITDA	\$ 2.1	\$ 7.4	(\$5.4)	-72.3%	\$ 9.7	\$ 18.4	(\$8.7)	-47.1%	\$ 46.6	\$ 46.8	(\$0.2)	-0.5%
Adjusted EBITDA %	3.5%	12.1%			7.6%	14.2%			16.3%	16.8%		

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

APPENDIX

Franklin Covey Highlights

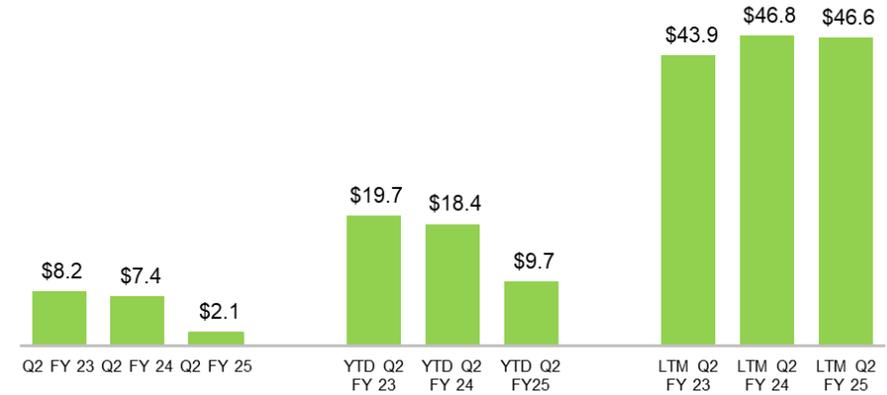
(in Millions and Unaudited)



REVENUE



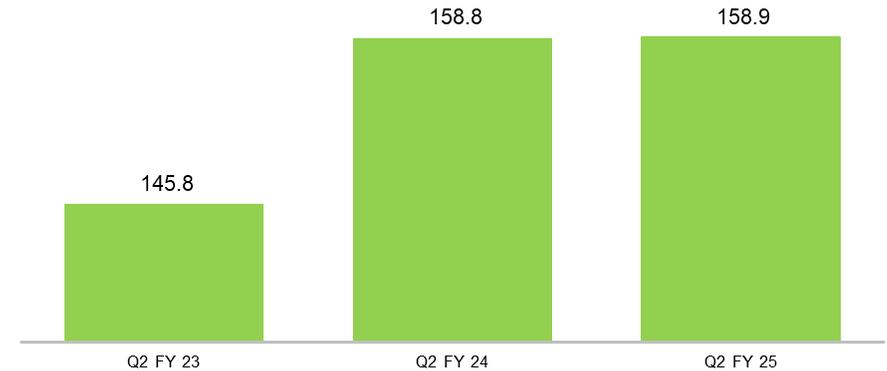
ADJUSTED EBITDA



SUBSCRIPTION AND SUBSCRIPTION SERVICES REVENUE



DEFERRED & UNBILLED DEFERRED SUBSCRIPTION REVENUE



Note:

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

APPENDIX

Trends in the Business

(in Millions and Unaudited)



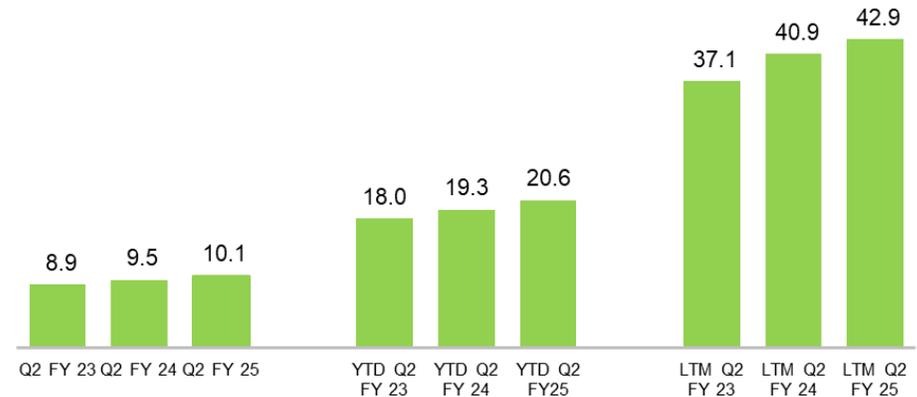
FRANKLIN COVEY SUBSCRIPTION REVENUE



ENTERPRISE SUBSCRIPTION REVENUE



EDUCATION SUBSCRIPTION REVENUE



Revenue Information

(in Millions and Unaudited)



	FY 2023	FY 2024				FY 2025		
	Full Year	Q1	Q2	Q3	Q4	Full Year	Q1	Q2
Balance Sheet								
Roll-Forward of Deferred Subscription Revenue								
Beginning Balance (deferred revenue)	88.1	99.0	87.2	86.1	83.8	99.0	107.9	95.7
Subscription Invoiced	150.0	24.7	34.6	34.5	62.9	156.8	24.7	33.9
Amounts Recorded to Revenue	(139.0)	(36.6)	(35.7)	(36.7)	(38.8)	(147.9)	(36.9)	(35.2)
Change in Deferred Revenue	11.0	(11.9)	(1.1)	(2.3)	24.1	8.9	(12.2)	(1.3)
Ending Balance (Def Subscription Revenue)	99.0	87.2	86.1	83.8	107.9	107.9	95.7	94.4
Unbilled Deferred Contracts								
Beginning Balance (off balance sheet)	65.4	87.4	82.5	72.7	69.4	87.4	75.2	73.0
New Unbilled Contracts	67.0	7.2	8.8	8.9	20.5	45.4	7.8	9.8
Amounts Invoiced	(45.0)	(11.7)	(18.5)	(12.2)	(14.8)	(57.1)	(10.0)	(18.3)
Ending Balance (off balance sheet)	87.4	82.5	72.7	69.4	75.2	75.2	73.0	64.5
Breakout of Deferred Sales (above)								
Subscription Invoiced Amounts								
Enterprise Subscription Contracts	102.3	21.4	29.9	25.3	30.7	107.3	18.5	30.2
Education Subscription Contracts	47.6	3.4	4.7	9.2	32.3	49.5	6.2	3.6
Total Additions to balance sheet	150.0	24.7	34.6	34.5	62.9	156.8	24.7	33.9

Notes:

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

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

APPENDIX



Franklin Covey Revenue Analysis

(in Millions and Unaudited)

Second Quarter	Enterprise Division				Education Division				Corporate			Total Company					
	FY25	FY24	Change	%	FY25	FY24	Change	%	FY25	FY24	Change	FY25	FY24	Change	%		
Revenue																	
Subscription Revenue	25.1	26.3	(1.2)	-4.5%	10.1	9.5	0.6	6.1%	-	-	-	35.2	35.8	(0.6)	-1.7%		
Subscription Services	11.0	11.2	(0.2)	-1.9%	3.4	3.4	0.0	0.5%	-	-	-	14.4	14.6	(0.2)	-1.4%		
Other Revenue	7.5	8.1	(0.7)	-8.0%	1.6	1.8	(0.2)	-12.3%	1.0	1.0	(0.1)	10.1	11.0	(0.9)	-8.5%		
Total Revenue Recorded	43.6	45.6	(2.0)	-4.5%	15.1	14.7	0.4	2.6%	43.6	45.6	(2.0)	59.6	61.3	(1.7)	-2.8%		
Invoiced Amounts	48.7	49.3	(0.6)	-1.2%	8.6	9.9	(1.3)	-12.9%	1.0	1.0	(0.1)	58.3	60.2	(1.9)	-3.2%		
Total Contracts Signed	40.1	39.6	0.5	1.2%	8.7	9.8	(1.1)	-11.6%	1.0	1.0	-	49.8	50.5	(0.7)	-1.4%		
Year to Date	Enterprise Division				Education Division				Corporate			Total Company					
	FY25	FY24	Change	%	#	FY25	FY24	Change	%	#	FY25	FY24	Change	FY25	FY24	Change	%
Revenue																	
Subscription Revenue	51.5	53.1	(1.6)	-3.1%		20.6	19.3	1.3	6.7%		-	-	-	72.0	72.4	(0.3)	-0.5%
Subscription Services	25.6	26.0	(0.4)	-1.5%		7.8	6.8	0.9	13.4%		-	-	-	33.4	32.8	0.5	1.6%
Other Revenue	18.1	19.0	(0.9)	-4.7%		3.2	3.5	(0.3)	-7.7%		2.0	2.1	(0.1)	23.3	24.5	(1.2)	-5.1%
Total Revenue Recorded	95.1	98.0	(2.9)	-3.0%		31.5	29.6	1.9	6.6%		95.1	98.0	(2.9)	128.7	129.7	(1.0)	-0.8%
Invoiced Amounts	92.4	96.2	(3.8)	-4.0%		20.8	18.4	2.4	12.8%		2.0	2.1	(0.1)	115.2	116.8	(1.6)	-1.3%
Total Contracts Signed	81.6	81.7	(0.1)	-0.1%		20.8	18.3	2.5	13.7%		2.0	2.1	-	104.5	102.1	2.4	2.3%
Last 12 Months Second Quarter	Enterprise Division				Education Division				Corporate			Total Company					
	FY25	FY24	Change	%		FY25	FY24	Change	%		FY25	FY24	Change	FY25	FY24	Change	%
Revenue																	
Subscription Revenue	104.7	104.5	0.2	0.2%		42.9	40.9	2.0	4.9%		-	-	-	147.6	145.4	2.2	1.5%
Subscription Services	58.1	57.6	0.6	1.0%		26.3	24.3	2.0	8.0%		-	-	-	84.4	81.9	2.5	3.1%
Other Revenue	42.4	41.4	1.0	2.5%		7.0	5.8	1.2	20.2%		4.8	4.7	0.1	54.2	51.8	2.3	4.5%
Total Revenue Recorded	205.2	203.4	1.8	0.9%		76.2	71.0	5.1	7.2%		205.2	203.4	1.8	286.2	279.1	7.0	2.5%
Invoiced Amounts	205.3	204.2	1.1	0.5%		84.5	80.2	4.2	5.3%		4.8	4.7	0.1	294.5	289.1	5.4	1.9%
Total Contracts Signed	196.8	207.4	(10.6)	-5.1%		84.6	80.1	4.5	5.7%		4.8	4.7	-	286.2	292.2	(5.9)	-2.0%
As of February 28	Enterprise Division				Education Division				Corporate			Total Company					
	FY25	FY24	Change	%		FY25	FY24	Change	%		FY25	FY24	Change	FY25	FY24	Change	%
Deferred Subscription Revenue Balance	56.6	56.6	0.0	0.0%		37.8	29.4	8.3	28.2%		-	-	-	94.4	86.1	8.3	9.7%
Unbilled Deferred Revenue Balance	63.6	72.1	(8.5)	-11.7%		0.9	0.7	0.2	25.3%		-	-	-	64.5	72.7	(8.3)	-11.4%

Notes:

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

APPENDIX



Reconciliation of Net Income (Loss) to Adjusted EBITDA

(in Thousands and Unaudited)

	Quarter Ended		Two Quarters Ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Reconciliation of net income (loss) to Adjusted EBITDA:				
Net income (loss)	\$ (1,076)	\$ 874	\$ 105	\$ 5,725
Adjustments:				
Interest expense (income), net	(107)	27	(220)	80
Income tax provision (benefit)	(272)	541	134	966
Amortization	1,098	1,071	2,196	2,142
Depreciation	1,016	913	1,967	2,005
Stock-based compensation	1,346	1,368	3,513	4,265
Restructuring costs	-	1,726	1,984	2,307
Headquarters moving costs	55	-	55	-
Impaired asset	-	928	-	928
Adjusted EBITDA	<u>\$ 2,060</u>	<u>\$ 7,448</u>	<u>\$ 9,734</u>	<u>\$ 18,418</u>
Adjusted EBITDA margin	3.5%	12.1%	7.6%	14.2%

Note:

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

APPENDIX

Additional Financial Information

(in Thousands and Unaudited)



	Quarter Ended		Two Quarters Ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Revenue by Division/Segment:				
Enterprise Division:				
North America	\$ 34,520	\$ 35,554	\$ 74,657	\$ 75,847
International direct offices	6,201	7,263	14,440	15,993
International licensees	2,830	2,781	6,033	6,204
	<u>43,551</u>	<u>45,598</u>	<u>95,130</u>	<u>98,044</u>
Education Division	15,065	14,689	31,529	29,580
Corporate and other	996	1,049	2,039	2,112
Consolidated	<u>\$ 59,612</u>	<u>\$ 61,336</u>	<u>\$ 128,698</u>	<u>\$ 129,736</u>
Gross Profit by Division/Segment:				
Enterprise Division:				
North America	\$ 28,974	\$ 29,911	\$ 61,795	\$ 62,675
International direct offices	4,560	5,502	10,673	12,115
International licensees	2,499	2,397	5,363	5,478
	<u>36,033</u>	<u>37,810</u>	<u>77,831</u>	<u>80,268</u>
Education Division	9,331	8,675	19,741	18,150
Corporate and other	382	366	885	711
Consolidated	<u>\$ 45,746</u>	<u>\$ 46,851</u>	<u>\$ 98,457</u>	<u>\$ 99,129</u>
Adjusted EBITDA by Division/Segment:				
Enterprise Division:				
North America	\$ 4,843	\$ 9,158	\$ 13,587	\$ 19,599
International direct offices	(973)	(107)	(1,197)	1,051
International licensees	1,456	1,358	3,100	3,274
	<u>5,326</u>	<u>10,409</u>	<u>15,490</u>	<u>23,924</u>
Education Division	(313)	(474)	(47)	(364)
Corporate and other	(2,953)	(2,487)	(5,709)	(5,142)
Consolidated	<u>\$ 2,060</u>	<u>\$ 7,448</u>	<u>\$ 9,734</u>	<u>\$ 18,418</u>

Note:

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

APPENDIX

Condensed Consolidated Balance Sheets

(in Thousands and Unaudited)



	February 28, 2025	August 31, 2024
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 40,393	\$ 48,663
Accounts receivable, less allowance for credit losses of \$2,512 and \$3,015	53,287	86,002
Inventories	4,094	4,002
Prepaid expenses and other current assets	23,270	21,586
Total current assets	121,044	160,253
Property and equipment, net	9,554	8,736
Intangible assets, net	36,067	37,766
Goodwill	31,220	31,220
Deferred income tax assets	821	870
Other long-term assets	22,634	22,694
	\$ 221,340	\$ 261,539

	February 28, 2025	August 31, 2024
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Current portion of notes payable	\$ 835	\$ 835
Current portion of financing obligation	1,201	3,112
Accounts payable	6,796	7,862
Deferred subscription revenue	88,435	101,218
Customer deposits	19,960	16,972
Accrued liabilities	16,849	32,454
Total current liabilities	134,076	162,453
Notes payable, less current portion	804	775
Financing obligation, less current portion	1,312	1,312
Other liabilities	9,639	10,732
Deferred income tax liabilities	2,983	3,132
Total liabilities	148,814	178,404
Shareholders' equity:		
Common stock	1,353	1,353
Additional paid-in capital	228,143	231,813
Retained earnings	123,309	123,204
Accumulated other comprehensive loss	(1,012)	(768)
Treasury stock at cost, 14,075 and 14,084 shares	(279,267)	(272,467)
Total shareholders' equity	72,526	83,135
	\$ 221,340	\$ 261,539

APPENDIX

Condensed Consolidated Income Statements

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



	Quarter Ended		Two Quarters Ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Revenue	\$ 59,612	\$ 61,336	\$ 128,698	\$ 129,736
Cost of revenue	13,866	14,485	30,241	30,607
Gross profit	45,746	46,851	98,457	99,129
Selling, general, and administrative	45,087	40,771	92,291	84,976
Restructuring costs	-	1,726	1,984	2,307
Impaired asset	-	928	-	928
Depreciation	1,016	913	1,967	2,005
Amortization	1,098	1,071	2,196	2,142
Income (loss) from operations	(1,455)	1,442	19	6,771
Interest income (expense), net	107	(27)	220	(80)
Income (loss) before income taxes	(1,348)	1,415	239	6,691
Income tax benefit (provision)	272	(541)	(134)	(966)
Net income (loss)	\$ (1,076)	\$ 874	\$ 105	\$ 5,725
Net income (loss) per common share:				
Basic	\$ (0.08)	\$ 0.07	\$ 0.01	\$ 0.43
Diluted	(0.08)	0.06	0.01	0.42
Weighted average common shares:				
Basic	13,102	13,263	13,097	13,253
Diluted	13,102	13,484	13,236	13,560
Other data:				
Adjusted EBITDA*	\$ 2,060	\$ 7,448	\$ 9,734	\$ 18,418

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

APPENDIX

Free Cash Flow

(in Thousands)



	Two Quarters Ended	
	February 28, 2025	February 29, 2024
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 105	\$ 5,725
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,163	4,146
Amortization of capitalized curriculum costs	2,171	1,501
Stock-based compensation	3,513	4,265
Impaired asset	-	928
Deferred income taxes	(145)	(978)
Amortization of right-of-use operating lease assets	287	403
Changes in working capital	2,682	14,222
Net cash provided by operating activities	<u>12,776</u>	<u>30,212</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,271)	(1,716)
Curriculum development costs	(2,380)	(3,770)
Reacquisition of license rights	(324)	-
Net cash used for investing activities	<u>(4,975)</u>	<u>(5,486)</u>
Free Cash Flow	<u>\$ 7,801</u>	<u>\$ 24,726</u>

APPENDIX

Enterprise Division Financial Summary

(in Millions and Unaudited)



	<u>Q2 FY 25</u>	<u>Q2 FY 24</u>	<u>Chg</u>	<u>%</u>	<u>YTD Q2 FY 25</u>	<u>YTD Q2 FY 24</u>	<u>Chg</u>	<u>%</u>	<u>LTM Q2 FY 25</u>	<u>LTM Q2 FY 24</u>	<u>Chg</u>	<u>%</u>
Revenue	\$ 43.6	\$ 45.6	(\$2.0)	-4.5%	\$ 95.1	\$ 98.0	(\$2.9)	-3.0%	\$ 205.2	\$ 203.4	\$ 1.8	0.9%
Cost of Sales	7.5	7.8	(0.3)	-3.5%	17.3	17.8	(0.5)	-2.7%	35.7	37.3	(1.6)	-4.3%
Gross Profit	36.0	37.8	(1.8)	-4.7%	77.8	80.3	(2.4)	-3.0%	169.6	166.2	3.4	2.0%
Gross Profit %	82.7%	82.9%	(18)	bps	81.8%	81.9%	(6)	bps	82.6%	81.7%	95	bps
Operating SG&A	30.7	27.4	3.3	12.1%	62.3	56.3	6.0	10.6%	122.3	116.5	5.8	5.0%
Operating SG&A %	70.5%	60.1%	(1,041)	bps	65.5%	57.5%	(806)	bps	59.6%	57.3%	(232)	bps
Adjusted EBITDA	\$ 5.3	\$ 10.4	(\$5.1)	-48.8%	\$ 15.5	\$ 23.9	(\$8.4)	-35.2%	\$ 47.3	\$ 49.7	(\$2.4)	-4.8%
Adjusted EBITDA %	12.2%	22.8%			16.3%	24.4%			23.0%	24.4%		

Note:

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

APPENDIX

Enterprise Division Financial Summary

(in Millions and Unaudited)



REVENUE



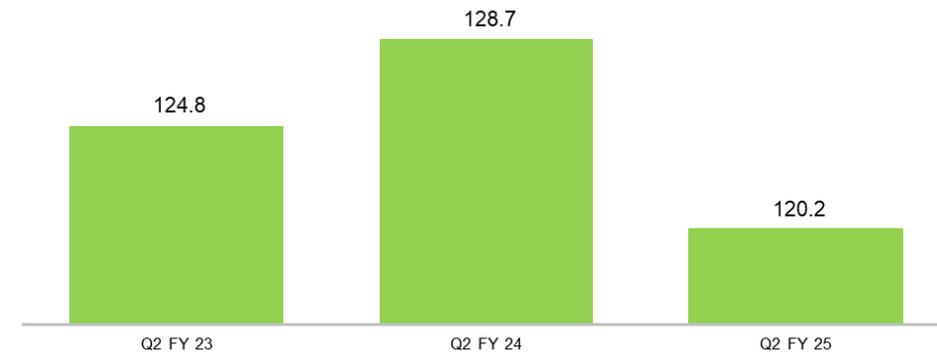
ENTERPRISE SUBSCRIPTION AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED SUBSCRIPTION REVENUE



APPENDIX

Enterprise Division AAP & Related Revenue



(in Millions and Unaudited)

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YTD Q2FY24	YTD Q2FY25	LTM Q2FY24	LTM Q2 FY 25
Subscription Revenue	\$26.3	\$26.3	\$26.9	\$26.4	\$25.1	\$53.1	\$51.5	\$104.5	\$104.7
Subscription Service Revenue	11.2	16.2	16.3	14.6	11.0	26.0	25.6	57.6	58.1
Total Subscription and Subscription Service Revenue	37.5	42.6	43.2	41.0	36.1	79.1	77.1	162.1	162.8
Subscription Related Services Attach Rate	43%	62%	61%	55%	44%	49%	50%	55%	56%
Direct Office Non-Subscriber Revenue	5.7	6.9	12.8	7.7	5.0	13.4	12.6	31.4	32.4
International licensees Non-Subscription Revenue	2.5	2.4	2.2	2.9	2.5	5.5	5.4	10.0	10.1
Total Enterprise Revenue	\$45.6	\$51.9	\$58.2	\$51.6	\$43.6	\$98.0	\$95.1	\$203.4	\$205.2

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YTD Q2FY24	YTD Q2FY25	LTM Q2FY24	LTM Q2 FY 25
North America Sales	\$35.6	\$40.6	\$46.9	\$40.1	\$34.5	\$75.8	\$74.7	\$157.0	\$162.2
International Direct Office Sales	\$7.3	\$8.5	\$8.8	\$8.2	\$6.2	16.0	14.4	34.7	31.8
International Licenses	2.8	2.7	2.5	3.2	2.8	6.2	6.0	11.7	11.3
Total Enterprise Division	45.6	51.9	58.2	51.6	43.6	98.0	95.1	203.4	205.2

APPENDIX

Education Division Financial Summary

(in Millions and Unaudited)



	<u>Q2 FY 25</u>	<u>Q2 FY 24</u>	<u>Chg</u>	<u>%</u>	<u>YTD Q2 FY 25</u>	<u>YTD Q2 FY 24</u>	<u>Chg</u>	<u>%</u>	<u>LTM Q2 FY 25</u>	<u>LTM Q2 FY 24</u>	<u>Chg</u>	<u>%</u>
Revenue	\$ 15.1	\$ 14.7	\$ 0.4	2.6%	\$ 31.5	\$ 29.6	\$ 1.9	6.6%	\$ 76.2	\$ 71.0	\$ 5.1	7.2%
Cost of Sales	5.7	6.0	(0.3)	-4.7%	11.8	11.4	0.4	3.1%	27.0	25.9	1.1	4.4%
Gross Profit	9.3	8.7	0.7	7.6%	19.7	18.1	1.6	8.8%	49.1	45.1	4.0	8.9%
Gross Profit %	61.9%	59.1%	288	bps	62.6%	61.4%	126	bps	64.5%	63.5%	97	bps
Operating SG&A	9.6	9.2	0.5	5.4%	19.8	18.5	1.3	6.9%	39.0	37.6	1.3	3.6%
Operating SG&A %	64.0%	62.3%	(172)	bps	62.8%	62.6%	(17)	bps	51.2%	53.0%	180	bps
Adjusted EBITDA	(\$0.3)	(\$0.5)	\$ 0.2	-34.3%	(\$0.0)	(\$0.4)	\$ 0.3	-87.1%	\$ 10.1	\$ 7.5	\$ 2.7	35.6%
Adjusted EBITDA %	-2.1%	-3.2%			-0.1%	-1.2%			13.3%	10.5%		

Note:

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

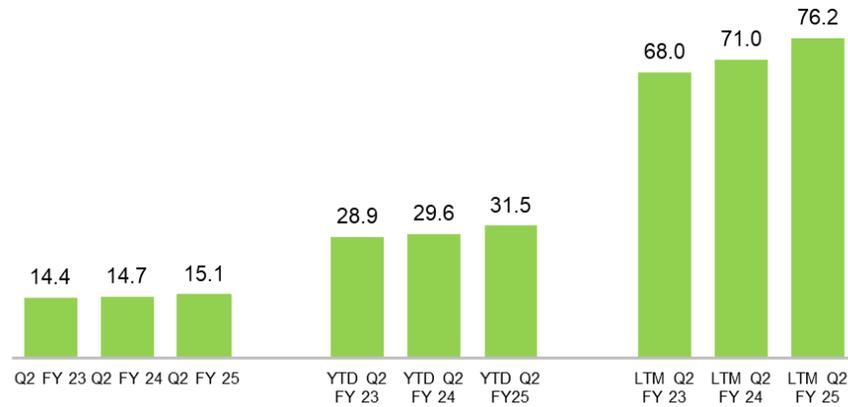
APPENDIX

Education Division Financial Summary

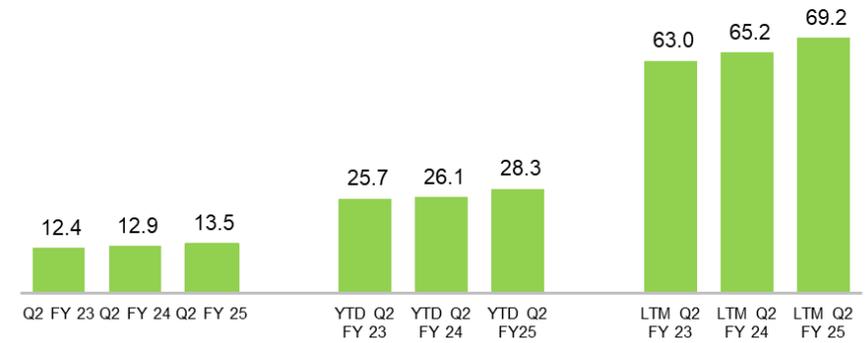
(in Millions and Unaudited)



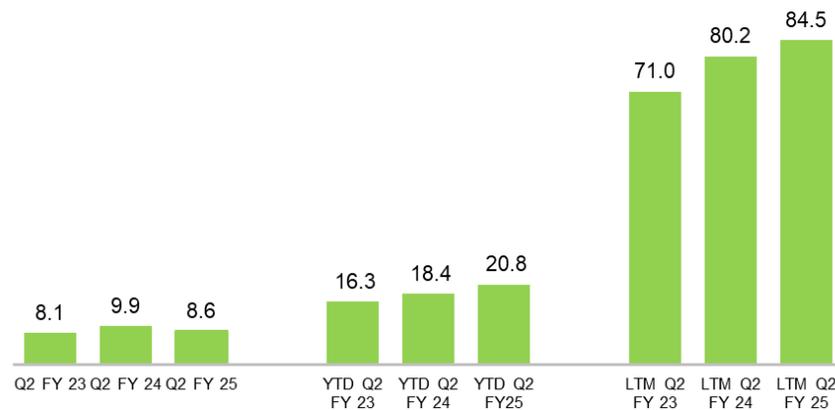
REVENUE



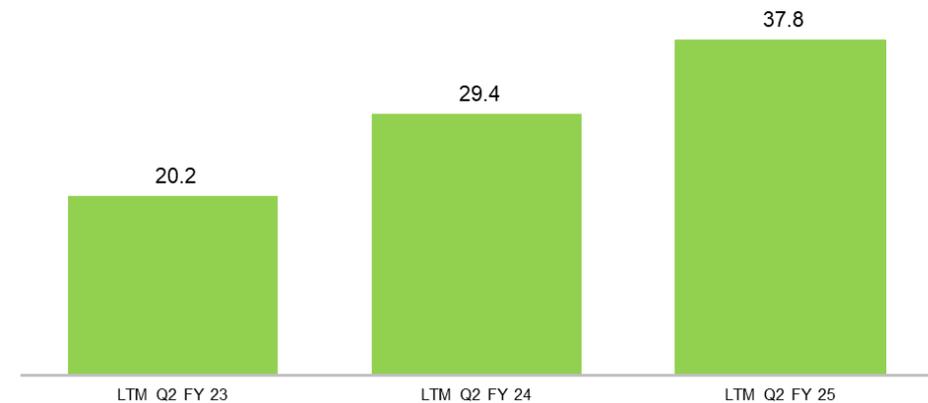
SUBSCRIPTION AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED SUBSCRIPTION REVENUE



Definitions



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

Definitions continued



- “Adjusted EBITDA” (earnings before interest, income taxes, depreciation, intangible asset amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. A reconciliation of “Adjusted EBITDA,” to consolidated net income (loss), the most comparable GAAP financial measure is provided within this presentation.
- “Free Cash Flow” is defined as GAAP calculated cash flows from operating activities less capitalized expenditures for purchases of property and equipment, curriculum development, and content or license rights.
- The Company references Adjusted EBITDA and Free Cash Flow in its decision making because it provides supplemental information that facilitates consistent internal comparisons to the historical operating performance of prior periods and the Company believes it provides investors with greater transparency to evaluate operational activities and financial results. We are unable to provide a reconciliation of forward-looking estimates of non-GAAP Adjusted EBITDA or Free Cash Flow to GAAP measures because certain information needed to make a reasonable forward-looking estimate is difficult to estimate and dependent on future events which may be uncertain or out of our control, including the amount of AAP contracts invoiced, the number of AAP contracts that are renewed, necessary costs to deliver our offerings such as unanticipated content development costs, and other potential variables. Accordingly, a reconciliation is not available without unreasonable effort.
- “North America Revenue” consists of revenue generated by our direct offices in the United States and Canada, including government Revenue.
- “Constant Currency” Franklin Covey presents constant currency information to provide a framework for assessing how our underlying business performed excluding the effect of foreign currency rate fluctuations. There are several approaches that an entity can take to calculate constant currency information and Franklin Covey’s method may not be consistent with another entity’s constant currency calculation. To calculate this measure, Franklin Covey converts the actual monthly results of our foreign operations, including the results of our International Licenses, into \$USD at the respective prior year monthly exchange rate. The non-GAAP measure should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with generally accepted accounting principles (GAAP).
- “AAP Revenue Retention Rate” is equal to the revenue from retained All Access Pass customers plus win backs, divided by the prior period total All Access Pass recurring revenue.

