Investor Update

Third Quarter FY19

FranklinCovey

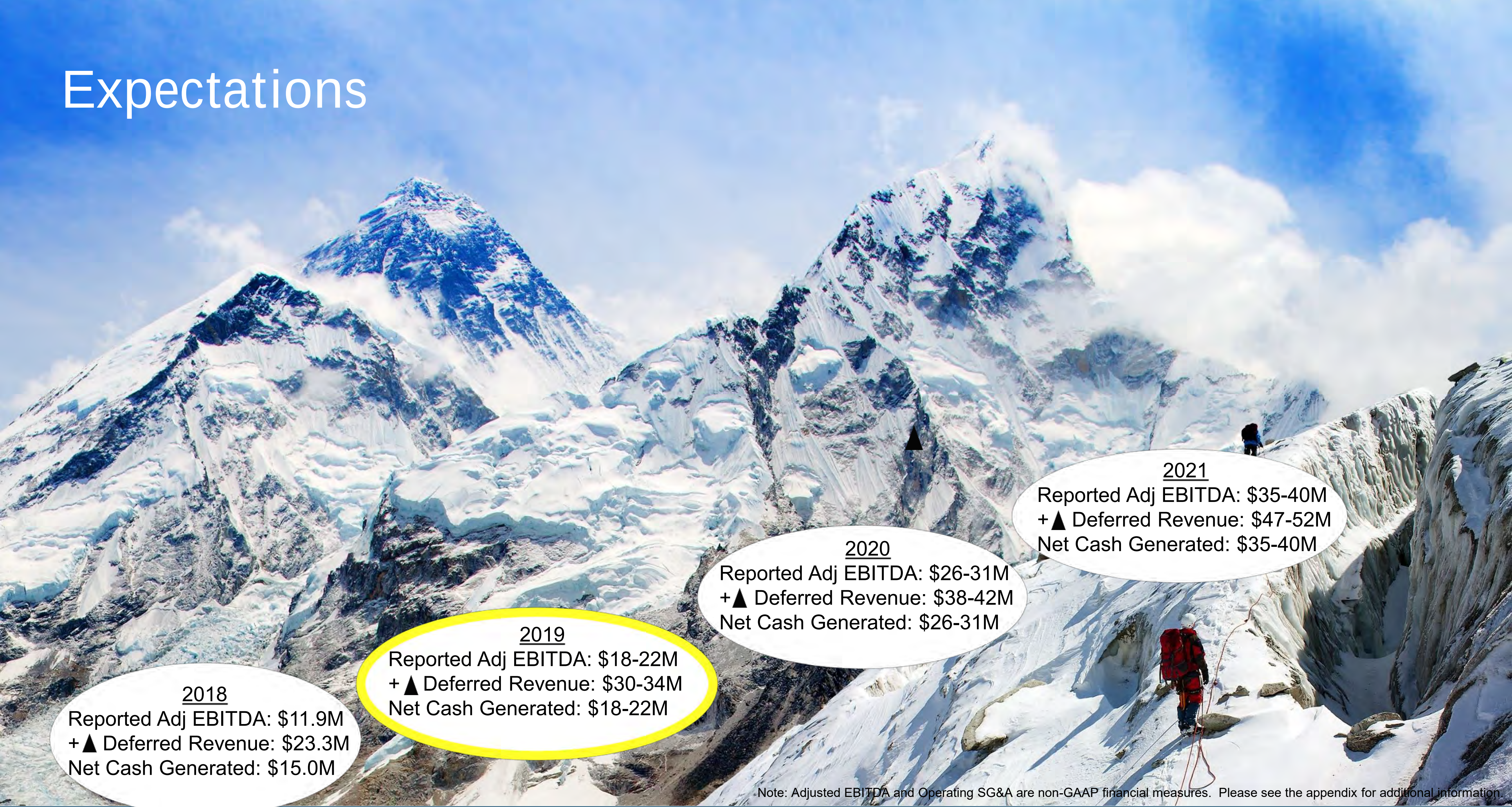
Forward-looking Statements / Non-GAAP

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon management’s current expectations and are subject to various risks and uncertainties including, but not limited to: The ability of the Company to stabilize and grow revenues; The acceptance of, and renewal rates for the All Access Pass; 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 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.

FranklinCovey 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 nonGAAP 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.

Expectations



2018
Reported Adj EBITDA: $11.9M
+▲ Deferred Revenue: $23.3M
Net Cash Generated: $15.0M

2019
Reported Adj EBITDA: $18-22M
+▲ Deferred Revenue: $30-34M
Net Cash Generated: $18-22M

2020
Reported Adj EBITDA: $26-31M
+▲ Deferred Revenue: $38-42M
Net Cash Generated: $26-31M

2021
Reported Adj EBITDA: $35-40M
+▲ Deferred Revenue: $47-52M
Net Cash Generated: $35-40M

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

Four Takeaways

1 | Better-than-expected results were broad-based, showing strength in Sales, Gross Margin, Operating SG&A and Adjusted EBITDA

2 | Strong results drive: significant growth in subscription and related sales; and strategic and structural strength of subscription-based business model

3 | Subscription business model's high recurring revenue, strong gross margins, relatively fixed central costs, and low capital intensity driving compelling economics

4 | Subscription metrics create compelling sales force expansion economics

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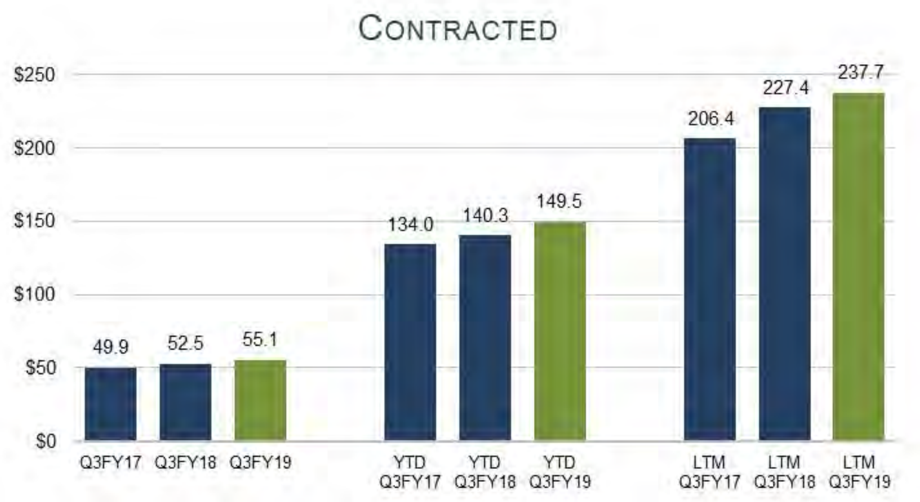
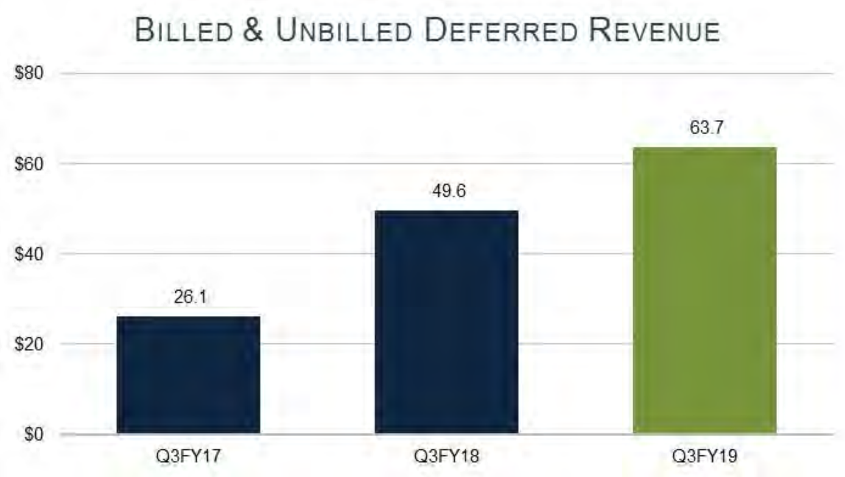
TAKEAWAY 1

Franklin Covey

(in millions and unaudited)





TAKEAWAY 1

Franklin Covey – Financial Summary

(in millions and unaudited)

	Q3FY19	Q3FY18	Chg	%	YTD Q3FY19	YTD Q3FY18	chg	%	LTM Q3FY19	LTM Q3FY18	chg	%
Sales	**56.0**	**50.5**	**5.5**	**11.0%**	**160.2**	**144.9**	**15.3**	**10.5%**	**225.0**	**204.5**	**20.5**	**10.0%**
Cost of Sales	16.3	15.5	0.8	5.1%	48.4	44.4	4.0	8.9%	65.4	61.6	3.8	6.2%
Gross Profit	**39.7**	**34.9**	**4.7**	**13.6%**	**111.8**	**100.5**	**11.3**	**11.2%**	**159.6**	**142.8**	**16.7**	**11.7%**
Gross Profit %	70.8%	69.2%	163 bps		69.8%	69.4%	44 bps		70.9%	69.9%	106 bps	
Operating SG&A	36.6	34.3	2.3	6.6%	104.6	100.0	4.6	4.6%	141.0	131.4	9.6	7.3%
Operating SG&A %	65.3%	68.0%	269 bps		65.3%	69.0%	370 bps		62.7%	64.3%	160 bps	
Adjusted EBITDA	**3.1**	**0.6**	**2.5**	**422.0%**	**7.2**	**0.5**	**6.7**	**1275.9%**	**18.6**	**11.4**	**7.1**	**62.4%**

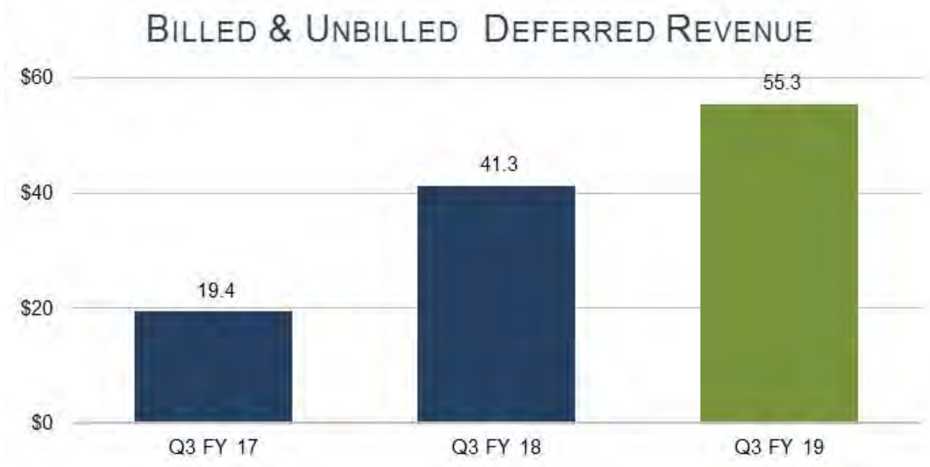
Key Points

- Revenue grew 11.0% for the quarter and 10.0% for LTM.
- Gross Profit increased 13.6% for the quarter and 11.7% for the LTM.
- Operating SG&A/Sales Percent declined to 65.3% from 68.0% in last year's third quarter.
- Adjusted EBITDA grew $2.5M for the quarter and $6.7M year to date.

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

Enterprise

(in millions and unaudited)



TAKEAWAY 1

Enterprise Division - Financial Summary

(in millions and unaudited)

	Q3FY19	Q3FY18	Chg	%	YTD Q3FY19	YTD Q3FY18	chg	%	LTM Q3FY19	LTM Q3FY18	chg	%
Sales	**43.4**	**39.9**	**3.5**	**8.8%**	**124.9**	**113.7**	**11.2**	**9.8%**	**170.3**	**152.8**	**17.5**	**11.4%**
Cost of Sales	11.1	10.7	0.4	4.1%	33.3	30.2	2.9	9.7%	43.9	41.1	2.8	6.7%
Gross Profit	**32.3**	**29.2**	**3.1**	**10.6%**	**91.7**	**83.5**	**8.2**	**9.9%**	**126.4**	**111.7**	**14.7**	**13.2%**
Gross Profit %	74.3%	73.2%	117 bps		73.4%	73.4%	3 bps		74.2%	73.1%	115 bps	
Operating SG&A	26.5	25.3	1.1	4.5%	76.9	73.4	3.5	4.8%	103.4	95.9	7.5	7.8%
Operating SG&A %	61.0%	63.5%	256 bps		61.6%	64.5%	293 bps		60.7%	62.8%	206 bps	
Adjusted EBITDA	**5.8**	**3.8**	**2.0**	**51.0%**	**14.8**	**10.1**	**4.7**	**46.3%**	**23.0**	**15.8**	**7.3**	**46.0%**

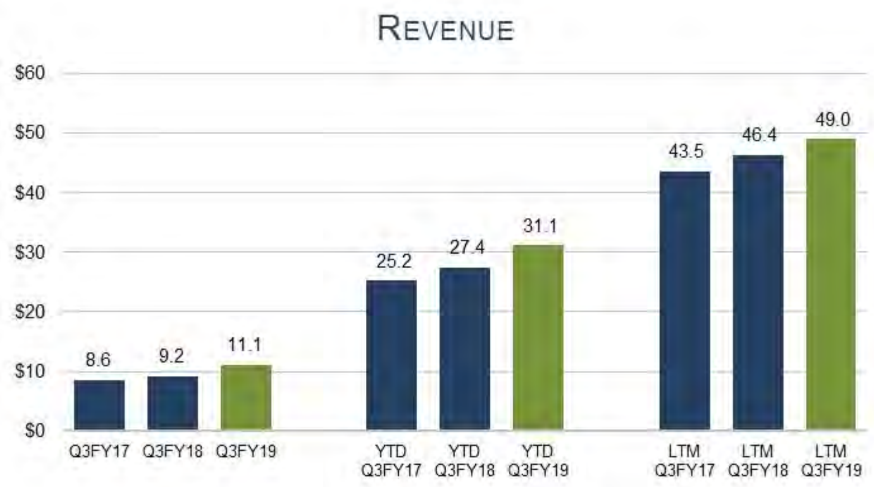
Key Points

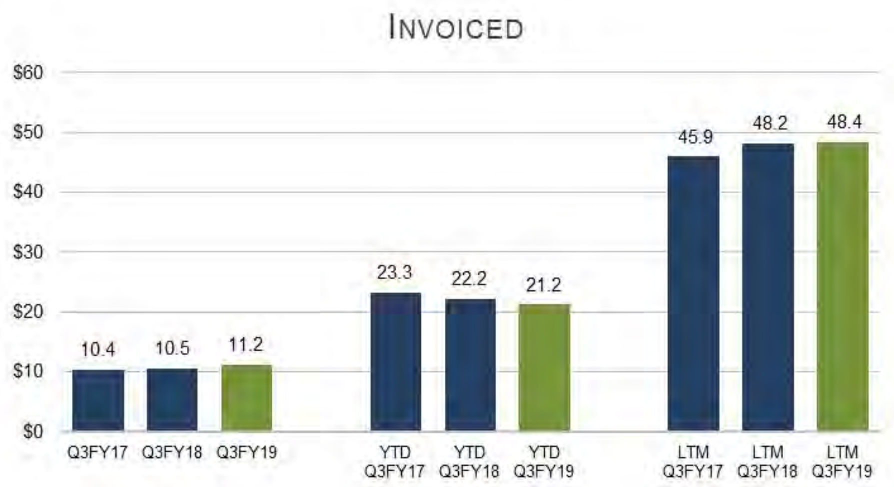
- Revenue grew 8.8% for the quarter and 11.4% for LTM.
- Gross Profit increased 10.6% for the quarter and 13.2% for the LTM.
- Operating SG&A as percent of sales decreased from 63.5% to 61.0% in the quarter.
- Adjusted EBITDA increased 51.0% for the quarter and 46.0% for the LTM.

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

Education

(in millions and unaudited)





TAKEAWAY 1

Education Division - Financial Summary

(in millions and unaudited)

	Q3FY19	Q3FY18	Chg	%	YTD Q3FY19	YTD Q3FY18	chg	%	LTM Q3FY19	LTM Q3FY18	chg	%
Sales	**11.1**	**9.2**	**1.9**	**20.1%**	**31.1**	**27.4**	**3.7**	**13.5%**	**49.0**	**46.4**	**2.6**	**5.7%**
Cost of Sales	4.2	3.7	0.5	13.6%	12.5	11.3	1.1	10.1%	17.8	17.0	0.8	4.6%
Gross Profit	**6.8**	**5.5**	**1.3**	**24.5%**	**18.7**	**16.1**	**2.6**	**16.0%**	**31.2**	**29.4**	**1.8**	**6.3%**
Gross Profit %	61.7%	59.6%	218 bps		60.0%	58.7%	127 bps		63.8%	63.4%	36 bps	
Operating SG&A	7.0	6.4	0.6	9.8%	20.0	19.0	1.0	5.5%	27.0	25.1	1.9	7.5%
Operating SG&A %	63.4%	69.3%	594 bps		64.3%	69.3%	494 bps		55.1%	54.2%	-92 bps	
Adjusted EBITDA	**(0.2)**	**(0.9)**	**0.7**	**-79.9%**	**(1.4)**	**(2.9)**	**1.5**	**-53.2%**	**4.2**	**4.3**	**(0.0)**	**-0.8%**

Key Points

- Revenue grew 20.1% for the quarter and 5.7% for LTM.
- Gross Margin increased 218 bps for the quarter and 36 bps for the LTM.
- Operating SG&A as a percent of Sales decreased from 69.3% in Q3 FY18 to 63.4% in Q3 FY19.
- Adjusted EBITDA improved $.7M in the third quarter.

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

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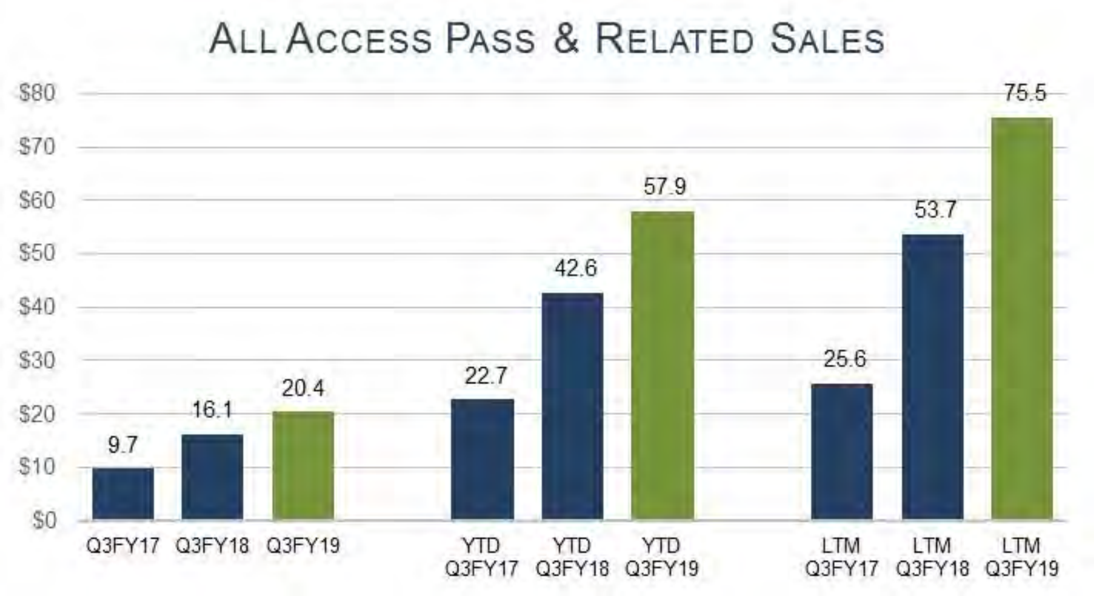
TAKEAWAY 2

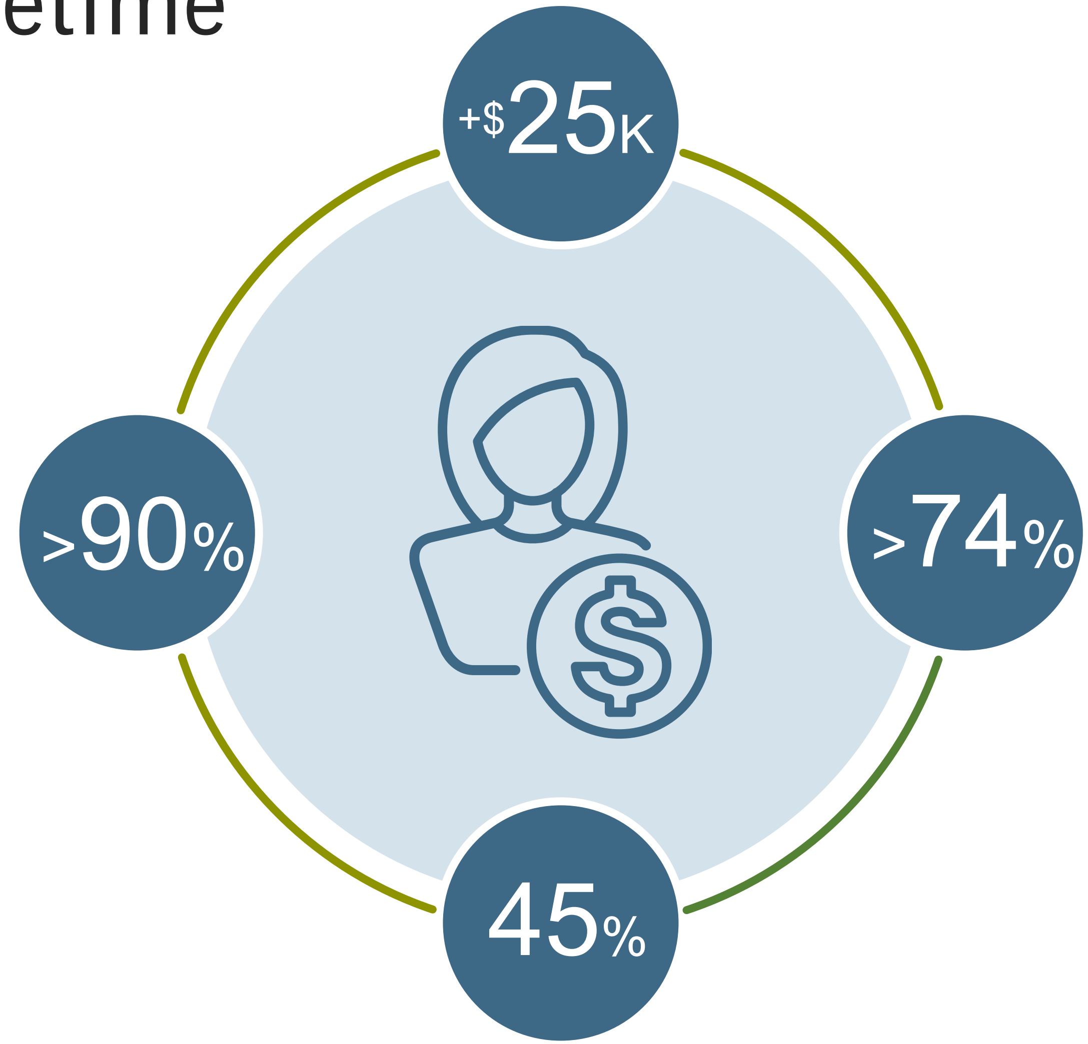
Continued Strong Growth



Key Subscription Metrics

- Annual Revenue Retention
- Add-on Services Rate
- Total Revenue Retention Rate
- Relatively High Initial Purchase Price
- Customer acquisition costs to initial purchase is less than 1:1
- Number of years required to achieve $100M in ARR
- Contractual minimum royalty payments from international licensee partners

All Access Pass Lifetime Customer Value



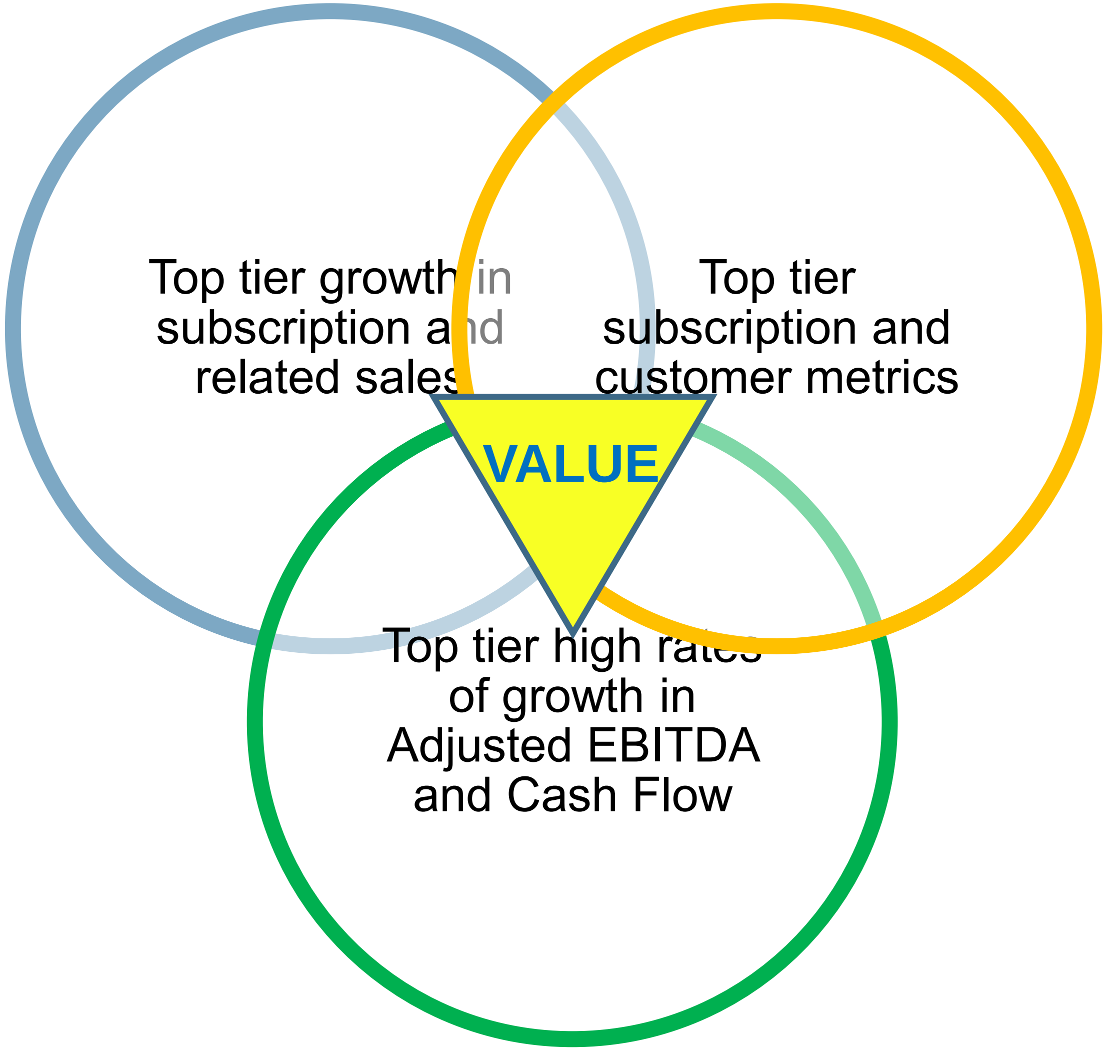
All Access Pass: Original vs. Today

Original AAP	AAP Today
23 Content areas	26 Content Areas (3 substantial additions) • 4 Essential Roles of Leaders • Find Out Why • 6 Critical Practices for Leading a Team
Delivery in three key modalities • Live • Live Online • On Demand	Delivery in four key modalities • Live • Live Online • On Demand • Microlearning
Core Content in 16 languages	Core Content in 18 languages
-	1,200 articles and micro-learning delivery capability (Jhana acquisition)
-	Coaching Capability (Robert Gregory acquisition)

All Access Pass Structurally Durable

Notes:
- A multi-year contract is a single contract with a duration of at least 24 months.
- Multiple single-year renewals are not counted as multi-year contracts.

Value Creation



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Compelling Flow-Through

	3rd Quarter	Year to Date	Last Twelve Months
2019 Revenue	56.0	160.2	225.0
2018 Revenue	50.5	144.9	204.5
Change	5.5	15.3	20.5
2019 EBITDA	3.1	7.2	18.6
2018 EBITDA	0.6	0.5	11.4
Change	2.5	6.7	7.1
Flow-Through Percentage	**45%**	**44%**	**35%**

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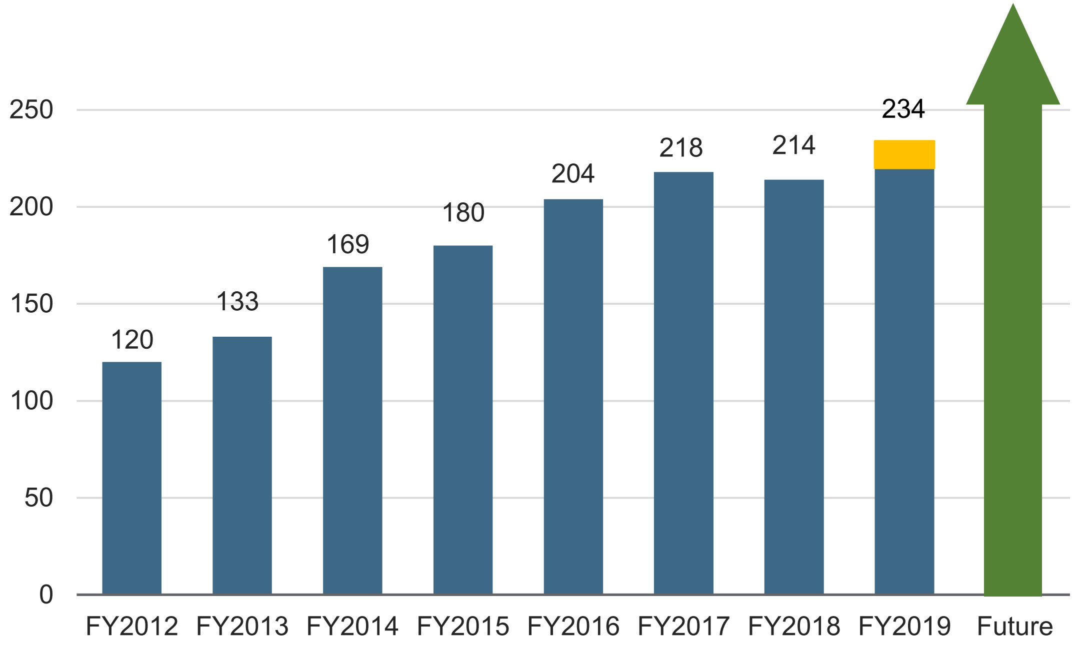
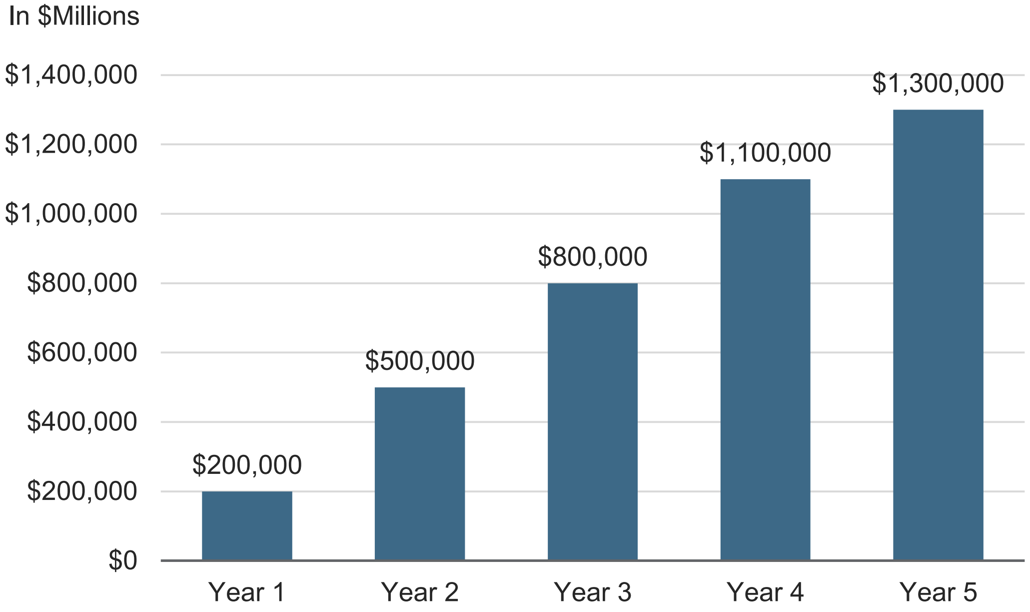
Unit Expansion Economics for Growth

Client Partner Additions



Client Partner Ramp*



*See Client Partner ramp definition in Appendix.

We cover investment on a new client partner within: **1 Year**

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Appendix

Other Information

Other Income Statement Information:

- Depreciation: $5.2M in FY2018, expected to total approximately $6.5M in FY2019.
- Amortization: $5.4M in FY2018, expected to total approximately $5.0M in FY2019.
- Net Interest and Discount: $2.2M in FY2018, expected to total approximately $2.3M in FY2019.
- Share-based Compensation, Impaired Assets, Restructuring, ERP Implementation, Accrued Earnout and Other: totaling $4.7M in FY2018; Share-Based Compensation, Impaired Assets, ERP Implementation, Accrued Earnout, Acquisition Costs and Other, expected to total approximately $7.5M in FY2019.
- Effective Tax Rate: Our normalized affective tax rate is expected to be 26% to 28% in FY19, before effect of permanent book/tax differences and benefit of re-measuring deferred taxes. Therefore, the tax rate could be a significantly different percentage, and we are not projecting an FY19 effective rate.

Other Information:

- Capital Expenditures: $6.5M in FY2018, expected to total approximately $4.9M to $5.5M in FY2019.
- Capitalized Curriculum excluding acquired content: $3.0M in FY2018, expected to total approximately $3.0M to $3.5M in FY2019, including localization of AAP content, AAP content development, and Education content development.
- Share Count: 13,974K shares outstanding as of June 30, 2019. The Company's share count may increase due to the vesting of share-based awards and purchased by Employees under our Employee Stock Purchase Plan, and decrease due to the company buying back shares under its authorized share buy-back program.
- Number of salespersons: 214 on August 31, 2018; 227 on May 31, 2019; expected to be 234 on August 31, 2019.
- Impact of FX in Q3FY19: decrease to Sales $.6M (decrease $1.7M YTD); decrease to Adjusted EBITDA $.3M (decrease $.9M YTD).
- Impact of implementing Topic 606: decreased sales $.2M in Q3FY19, and increased sales $1.4M YTD.

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

Enterprise Revenue
(in millions and unaudited)

	Q3FY19	Q3FY18	Change	Percent
All Access Pass*	10.9	8.6	2.3	26%
Onsites	10.6	9.0	1.6	18%
Facilitator	2.6	3.6	(1.0)	-28%
Other	0.0	0.3	(0.3)	-98%
Total US/Canada	24.1	21.6	2.6	12%
International Direct Offices	9.7	8.5	1.2	14%
International Licensees	3.0	3.5	(0.5)	-15%
Government and Other	6.6	6.3	0.3	5%
Total Enterprise	43.4	39.9	3.5	9%

	YTD Q3FY19	YTD Q3FY18	Change	Percent
All Access Pass*	30.9	22.9	8.0	35%
Onsites	28.8	24.3	4.6	19%
Facilitator	7.5	11.3	(3.9)	-34%
Other	1.3	3.1	(1.8)	-58%
Total US/Canada	68.5	61.6	6.9	11%
International Direct Offices	28.6	26.0	2.6	10%
International Licensees	9.6	9.9	(0.3)	-3%
Government and Other	18.2	16.2	2.0	12%
Total Enterprise	124.9	113.7	11.2	10%

Notes:
- This does not include AAP that was sold in Government Services, Australia, Japan and The U.K.
- Higher Education in the Education practice also had a small amount of AAP sales.

Education Gross Sales & Cash Adjusted EBITDA

(in millions and unaudited)

Sales and profitability in the Education Division are very seasonal. Educators conduct a majority of their training activities during the summer months, which correspond with our 4th quarter. Below is a summary of Sales and Adjusted EBITDA for the Education Division. The schedule shows that essentially all of the Education Division's Adjusted EBITDA is generated in the 4th quarter.

Net Sales

	Q1	Q2	Q3	Q4	Total
FY17	8,743	7,848	8,596	18,935	44,122
FY18	9,176	9,007	9,235	17,854	45,272
FY19	10,347	9,698	11,088		

Adjusted EBITDA

	Q1	Q2	Q3	Q4	Total
FY17	233	(555)	341	7,176	7,195
FY18	(842)	(1,151)	(901)	5,604	2,710
FY19	(265)	(909)	(181)		

Results of the 3rd and 4th quarters of fiscal 2018 were negatively impacted by the expiration of a large education foundation contract that had a very positive impact on fiscal 2017 results.

Franklin Covey– Contracts Signed

(in thousands and unaudited)

Current Quarter - Q3	Enterprise Division				Education Division				Corporate			Total Company			
	FY19	FY18	Change	%	FY19	FY18	Change	%	FY19	FY18	Change	FY19	FY18	Change	%
Sales	43,401	39,874	3,527	8.8%	11,088	9,235	1,853	20.1%	1,517	1,352	165	56,006	50,461	5,545	11.0%
Change in Deferred Revenue	254	1,197	(943)	-78.8%	95	1,264	(1,169)	-92.5%	-	-	-	349	2,461	(2,112)	
Invoiced Amounts	43,655	41,071	2,584	6.3%	11,183	10,499	684	6.5%	1,517	1,352	165	56,355	52,922	3,433	6.5%
Change in Unbilled Deferred Revenue	(374)	(657)	283	-	(842)	261	(1,103)		-	-	-	(1,216)	(396)	(820)	207.1%
Total Contracts Signed	43,281	40,414	2,867	7.1%	10,341	10,760	(419)	-3.9%	1,517	1,352	165	55,139	52,526	2,613	5.0%

Year to Date - Q3	Enterprise Division				Education Division				Corporate			Total Company			
	FY19	FY18	Change	%	FY19	FY18	Change	%	FY19	FY18	Change	FY19	FY18	Change	%
Sales	124,869	113,711	11,158	9.8%	31,132	27,418	3,714	13.5%	4,190	3,810	380	160,191	144,939	15,252	10.5%
Change in Deferred Revenue	(37)	2,675	(2,712)	-101.4%	(9,923)	(5,196)	(4,727)	91.0%	-	-	-	(9,960)	(2,521)	(7,439)	295.1%
Invoiced Amounts	124,832	116,386	8,446	7.3%	21,209	22,222	(1,013)	-4.6%	4,190	3,810	380	150,231	142,418	7,813	5.5%
Change in Unbilled Deferred Revenue	319	(2,045)	2,364	-115.6%	(1,072)	(39)	(1,033)		-	-	-	(753)	(2,084)	1,331	-63.9%
Total Contracts Signed	125,151	114,341	10,810	9.5%	20,137	22,183	(2,046)	-9.2%	4,190	3,810	380	149,478	140,334	9,144	6.5%

Notes:

- Please compare this information to the Segment Information footnote in Form 10-Q.
- Please refer to Definitions in the Appendix for the definition of Deferred Revenue and Unbilled Deferred Revenue.

Sales Information

(in thousands and unaudited)

	FY17 Information					FY18 Information					FY19 Information			
	Q1	Q2	Q3	Q4	Yr Total	Q1	Q2	Q3	Q4	YTD Total	Q1	Q2	Q3	YTD Total
Sales														
Reported Net Sales	39,787	42,196	43,751	59,522	185,256	47,932	46,549	50,461	64,818	209,760	53,829	50,356	56,006	160,191
Change in Deferred Revenue	702	2,069	5,442	12,562	20,775	(5,193)	211	2,461	13,925	11,404	(8,514)	(1,795)	349	(9,960)
Invoiced Amount	40,489	44,265	49,193	72,084	206,031	42,739	46,760	52,922	78,743	221,164	45,315	48,561	56,355	150,231
Balance Sheet														
Roll-Forward of Deferred Revenue														
Beginning Balance (deferred revenue)	15,460	16,096	18,185	23,618	15,460	36,397	31,429	32,067	34,521	36,397	48,432	41,375	39,580	48,432
Subscription Sales	6,306	8,710	13,785	23,026	51,827	7,882	13,941	17,324	30,563	69,710	9,798	15,902	19,276	44,976
Amounts Recorded to Revenue	(5,604)	(6,641)	(8,343)	(10,464)	(31,052)	(13,075)	(13,730)	(14,863)	(16,638)	(58,306)	(18,312)	(17,697)	(18,671)	(54,680)
Change in Deferred Revenue	702	2,069	5,442	12,562	20,775	(5,193)	211	2,461	13,925	11,404	(8,514)	(1,795)	605	(9,704)
FX, 606, and Other Changes	(66)	20	(9)	217	162	225	427	(7)	(14)	631	1,457	-	(256)	1,201
Ending Balance (Def Subscription Revenue)	16,096	18,185	23,618	36,397	36,397	31,429	32,067	34,521	48,432	48,432	41,375	39,580	39,929	39,929
Unbilled Deferred Contracts														
Beginning Balance (off balance sheet)	2,378	1,978	1,728	2,479	2,378	17,151	16,255	15,463	15,067	17,151	24,495	24,426	24,959	24,495
New Unbilled Contracts	-	-	751	15,600	16,351	1,863	2,149	2,766	13,437	20,215	1,434	4,578	3,534	9,546
Amounts Invoiced	(400)	(250)	-	(928)	(1,578)	(2,759)	(2,941)	(3,162)	(4,009)	(12,871)	(1,503)	(4,045)	(4,749)	(10,297)
Ending Balance (off balance sheet)	1,978	1,728	2,479	17,151	17,151	16,255	15,463	15,067	24,495	24,495	24,426	24,959	23,744	23,744
Breakout of Deferred Sales (above)														
Subscription Sales														
AAP Subscriptions	4,969	7,801	9,189	12,616	34,575	6,822	13,409	11,667	16,895	48,793	8,270	15,070	13,708	37,048
Education Memberships	652	226	4,130	9,766	14,774	893	159	4,978	13,142	19,172	827	382	5,236	6,445
Other Subscriptions and Adjustments	685	683	466	644	2,478	167	373	679	526	1,745	701	450	332	1,483
Total Additions to balance sheet	6,306	8,710	13,785	23,026	51,827	7,882	13,941	17,324	30,563	69,710	9,798	15,902	19,276	44,976

Notes:

- Invoiced Amounts represent the amount billed (invoiced) in the period. The Invoiced Amount is equal to Reported Net Sales, plus the associated chance in Deferred Subscription Sales on the balance sheet (adjusted for FX). AAP Subscriptions, Education Memberships, and Other Invoiced Subscriptions are all Invoiced Amounts. Unbilled portions of multi-year agreements are not included.
- The Difference between Change in Deferred Sales, which is added to Reported Net Sales to equal the Invoiced Amount, and the Change in Deferred Sales on the balance sheet is adjustments for FX, acquisitions and other. Q1 of FY2019 also includes the adjustment attributed to the adoption of Topic 606.
- Certain historical amounts have been adjusted by immaterial amounts to conform with the current presentation - including the acquired Jhana Deferred Revenue.
- Deferred Revenue is primarily a current liability. However, a small portion is long-term and recorded as a part of Other Liabilities.

Revenue from Contracts with Customers (Topic 606)

(in millions and unaudited)

3rd Quarter, 2019	Enterprise Division			Education Division			Consolidated		
	As Reported	Without ASC 606	Impact of ASC 606	As Reported	Without ASC 606	Impact of ASC 606	As Reported	Without ASC 606	Impact of ASC 606
Sales	43.4	43.4	-	11.1	11.2	(0.1)	56.0	56.1	(0.1)
Gross Profit	32.3	32.3	-	6.8	7.0	(0.1)	39.7	39.8	(0.1)
Selling, General & Administrative	26.5	26.5		7.0	7.0	0.0	36.6	36.6	0.0
Adjusted EBITDA	5.8	5.8	-	(0.2)	(0.0)	(0.2)	3.1	3.2	(0.2)
Net Loss							(2.0)	(2.2)	(0.2)

YTD 3rd Quarter, 2019	Enterprise Division			Education Division			Consolidated		
	As Reported	Without ASC 606	Impact of ASC 606	As Reported	Without ASC 606	Impact of ASC 606	As Reported	Without ASC 606	Impact of ASC 606
Sales	124.9	124.9	(0.1)	31.1	29.7	1.4	160.2	158.8	1.4
Gross Profit	91.7	91.8	(0.1)	18.7	17.2	1.4	111.8	110.4	1.4
Selling, General & Administrative	76.9	76.9	-	20.0	19.9	0.1	104.6	104.5	0.1
Adjusted EBITDA	14.8	14.9	(0.1)	(1.4)	(2.7)	1.3	7.2	5.9	1.3
Net Loss							(6.9)	(5.6)	1.3

Notes:
- Franklin Covey adopted the new accounting standard Topic 606 on September 1, 2018 using the modified retrospective method.
- Adjustment information is based on the best available information and reflects management's best estimate of the impact as a result of the adoption of the new standard.

Adjusted EBITDA Summary

(in thousands and unaudited)

Current Quarter - Q3	Enterprise Division				Education Division				Corporate			Total Company			
	FY19	FY18	Chang	%	FY19	FY18	Chang	%	FY19	FY18	Chang	FY19	FY18	Chang	%
Net Sales	43,401	39,874	3,527	9%	11,088	9,235	1,853	20%	1,517	1,352	165	56,006	50,461	5,545	11%
Cost of Sales	11,133	10,695	438	4%	4,242	3,734	508	14%	967	1,116	(149)	16,342	15,545	797	5%
Gross Profit	32,268	29,179	3,089	11%	6,846	5,501	1,345	24%	550	236	314	39,664	34,916	4,748	14%
GM%	*74.3%*	*73.2%*	1.2%		*61.7%*	*59.6%*	2.2%					*70.8%*	*69.2%*	1.6%	
Segment SG&A	26,467	25,338	1,129	4%	7,027	6,402	625	10%	3,099	2,588	511	36,593	34,328	2,265	7%
Adjusted EBITDA	5,801	3,841	1,960	51%	(181)	(901)	720	-	(2,549)	(2,352)	(197)	3,071	588	2,483	422%

Year to Date - Q3	Enterprise Division				Education Division				Corporate			Total Company			
	FY19	FY18	Chang	%	FY19	FY18	Chang	%	FY19	FY18	Chang	FY19	FY18	Chang	%
Sales	124,869	113,711	11,158	10%	31,132	27,418	3,714	14%	4,190	3,810	380	160,191	144,939	15,252	11%
Cost of Sales	33,154	30,224	2,930	10%	12,464	11,324	1,140	10%	2,761	2,863	(102)	48,379	44,411	3,968	9%
Gross Profit	91,715	83,487	8,228	10%	18,668	16,094	2,574	16%	1,429	947	482	111,812	100,528	11,284	11%
GM%	*73.4%*	*73.4%*	0.0%		*60.0%*	*58.7%*	1.3%					*69.8%*	*69.4%*	0.4%	
Segment SG&A	76,885	73,352	3,533	5%	20,023	18,988	1,035	5%	7,701	7,664	37	104,609	100,004	4,605	5%
Adjusted EBITDA	14,830	10,135	4,695	46%	(1,355)	(2,894)	1,539	-	(6,272)	(6,717)	445	7,203	524	6,679	-

Notes:
- Compare this information to the Segment Information in Form 10-Q.
- See the Segment Information footnote in Form 10-Q for the reconciliation of Adjusted EBITDA to Net Income.

Net Cash Generated as defined below

(in thousands and unaudited)

	Current Quarter		Year to Date		Last Four Quarters	
	Q3 FY19	Q3 FY18	Q3 FY19	Q3 FY18	Q3 FY19	Q3 FY18
Reported Adjusted EBITDA	$ 3,071	$ 588	$ 7,203	$ 524	$ 18,560	$ 11,427
Adjustments						
Change in Deferred Revenue (related to subscription sal	349	2,461	(9,960)	(2,521)	3,964	10,040
Costs deferred with Deferred Revenue	(163)	(65)	631	229	(943)	(1,366)
Amortization of capitalized development	1,095	1,361	3,951	3,923	5,308	4,985
Purchases of property and equipment	(801)	(693)	(2,996)	(4,981)	(4,543)	(7,042)
Capitalized curriculum development costs	(565)	(260)	(1,821)	(2,445)	(2,374)	(4,761)
Cash paid for interest	(579)	(673)	(1,855)	(1,947)	(2,563)	(2,414)
Net Cash Generated	$ 2,407	$ 2,719	$ (4,847)	$ (7,218)	$ 17,409	$ 10,869

Notes:
- We expect Net Cash Generated in FY2019 to fall within the range of $18 million to $22 million.
- Net Cash Generated is a measure used by management to monitor the amount of available cash generated by the operations of the company. Net Cash Generated includes the items listed above and excludes other cash activities shown on the Consolidated Statements of Cash Flows, such as cash paid for taxes, acquisitions, changes in working capital, other SG&A, and payments on term notes and financing obligations.
- Please refer to the Appendix for the definition of Adjusted EBITDA and for the reconciliation of Adjusted EBITDA to Net Income.
- Please also refer to the Condensed Consolidated Statements of Cash Flows for the current quarter.

Reconciliation of Net Loss to Adjusted EBITDA

(in thousands and unaudited)

	Quarter Ended		Three Quarters Ended	
	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018
Reconciliation of net loss to Adjusted EBITDA:				
Net loss	$ (2,024)	$ (2,534)	$ (6,898)	$ (7,666)
Adjustments:				
Interest expense, net	554	501	1,529	1,627
Income tax benefit	(394)	(554)	(704)	(4,927)
Amortization	1,259	1,326	3,797	4,117
Depreciation	1,556	1,267	4,806	3,547
Stock-based compensation	1,051	446	3,040	2,182
Increase in contingent consideration liabilities	1,069	136	1,145	789
Licensee transition costs	-	-	488	-
ERP implementation costs	-	-	-	855
Adjusted EBITDA	$ 3,071	$ 588	$ 7,203	$ 524
Adjusted EBITDA margin	5.5%	1.2%	4.5%	0.4%

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

Additional Financial Information

(in thousands and unaudited)

	Quarter Ended		Three Quarters Ended	
	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018
Sales by Division/Segment:				
Enterprise Division:				
Direct offices	$ 40,387	$ 36,331	$ 115,271	$ 103,802
International licensees	3,014	3,543	9,598	9,909
	43,401	39,874	124,869	113,711
Education Division	11,088	9,235	31,132	27,418
Corporate and other	1,517	1,352	4,190	3,810
Consolidated	$ 56,006	$ 50,461	$ 160,191	$ 144,939
Gross Profit by Division/Segment:				
Enterprise Division:				
Direct offices	$ 29,836	$ 26,444	$ 84,200	$ 75,886
International licensees	2,432	2,735	7,515	7,601
	32,268	29,179	91,715	83,487
Education Division	6,846	5,501	18,668	16,094
Corporate and other	550	236	1,429	947
Consolidated	$ 39,664	$ 34,916	$ 111,812	$ 100,528
Adjusted EBITDA by Division/Segment:				
Enterprise Division:				
Direct offices	$ 4,520	$ 2,190	$ 10,703	$ 5,913
International licensees	1,281	1,651	4,127	4,222
	5,801	3,841	14,830	10,135
Education Division	(181)	(901)	(1,355)	(2,894)
Corporate and other	(2,549)	(2,352)	(6,272)	(6,717)
Consolidated	$ 3,071	$ 588	$ 7,203	$ 524

Condensed Consolidated Balance Sheets

(in thousands and unaudited)

	May 31, 2019	August 31, 2018
Assets		
Current assets:		
Cash	$ 10,858	$ 10,153
Accounts receivable, less allowance for doubtful accounts of $4,170 and $3,555	52,113	71,914
Inventories	3,072	3,160
Income taxes receivable	-	179
Prepaid expenses and other current assets	13,016	14,757
Total current assets	79,059	100,163
Property and equipment, net	19,171	21,401
Intangible assets, net	48,873	51,934
Goodwill	24,220	24,220
Deferred income tax assets	6,455	3,222
Other long-term assets	10,086	12,935
	$ 187,864	$ 213,875

	May 31, 2019	August 31, 2018
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of term notes payable	$ 6,563	$ 10,313
Current portion of financing obligation	2,273	2,092
Accounts payable	7,428	9,790
Income taxes payable	415	-
Deferred revenue	45,168	51,888
Accrued liabilities	20,505	20,761
Total current liabilities	82,352	94,844
Line of credit	4,123	11,337
Term notes payable, less current portion	1,562	2,500
Financing obligation, less current portion	17,258	18,983
Other liabilities	8,193	5,501
Deferred income tax liabilities	210	210
Total liabilities	113,698	133,375
Shareholders' equity:		
Common stock	1,353	1,353
Additional paid-in capital	214,092	211,280
Retained earnings	53,528	63,569
Accumulated other comprehensive income	326	341
Treasury stock at cost, 13,097 and 13,159 shares	(195,133)	(196,043)
Total shareholders' equity	74,166	80,500
	$ 187,864	$ 213,875

Condensed Consolidated Statements of Operations

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

	Quarter Ended		Three Quarters Ended	
	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018
Net sales	$ 56,006	$ 50,461	$ 160,191	$ 144,939
Cost of sales	16,342	15,545	48,379	44,411
Gross profit	39,664	34,916	111,812	100,528
Selling, general, and administrative	38,713	34,910	109,282	103,830
Depreciation	1,556	1,267	4,806	3,547
Amortization	1,259	1,326	3,797	4,117
Loss from operations	**(1,864)**	**(2,587)**	**(6,073)**	**(10,966)**
Interest expense, net	(554)	(501)	(1,529)	(1,627)
Loss before income taxes	**(2,418)**	**(3,088)**	**(7,602)**	**(12,593)**
Income tax benefit	394	554	704	4,927
Net loss	**$ (2,024)**	**$ (2,534)**	**$ (6,898)**	**$ (7,666)**
Net loss per common share:				
Basic and diluted	$ (0.14)	$ (0.18)	$ (0.49)	$ (0.55)
Weighted average common shares:				
Basic and diluted	13,963	13,896	13,939	13,829
Other data:				
Adjusted EBITDA[(1)]	$ 3,071	$ 588	$ 7,023	$ 524

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

Cash Flows from Operating Activities

(in thousands and unaudited)

	Three Quarters Ended	
	May 31, 2019	May 31, 2018
Net loss	$ (6,898)	$ (7,666)
Adjustments to reconcile net loss to net cash provided		
by operating activities:		
Depreciation and amortization	8,619	7,725
Amortization of capitalized curriculum costs	3,951	3,923
Stock-based compensation expense	3,040	2,182
Deferred income taxes	(2,207)	(6,605)
Change in fair value of contingent consideration liabilities	1,145	789
Changes in assets and liabilities, net of effect of acquired		
Decrease in accounts receivable, net	19,461	15,489
Decrease (increase) in inventories	158	(401)
Decrease in prepaid expenses and other assets	2,585	1,545
Decrease in accounts payable and accrued liabilities	(2,792)	(4,541)
Decrease in deferred revenue	(8,384)	(2,219)
Increase (decrease) in income taxes payable/receivable	358	(564)
Decrease in other long-term liabilities	(412)	(1,065)
Net cash provided by operating activities	18,624	8,592

Adjusted EBITDA + Change in Deferred Revenue

(in thousands and unaudited)

	Enterprise Division				Education Division				Corporate			Total Company		
Current Quarter - Q3 FY19	FY19	FY18	Chang	%	FY19	FY18	Chang	%	FY19	FY18	Chang	FY19	FY18	Chang
Adjusted EBITDA	5,801	3,841	1,960	51%	(181)	(901)	720	-80%	(2,549)	(2,352)	(197)	3,071	588	2,483
Change in Deferred Revenue	254	1,197	(943)	-79%	95	1,264	(1,169)	-92%	-	-	-	349	2,461	(2,112)
Sum	6,055	5,038	1,017	20%	(86)	363	(449)	124%	(2,549)	(2,352)	(197)	3,420	3,049	371

	Enterprise Division				Education Division				Corporate			Total Company		
Year to Date - Q3 FY19	FY19	FY18	Chang	%	FY19	FY18	Chang	%	FY19	FY18	Chang	FY19	FY18	Chang
Adjusted EBITDA	14,830	10,135	4,695	46%	(1,355)	(2,894)	1,539	-53%	(6,272)	(6,717)	445	7,203	524	6,679
Change in Deferred Revenue	(37)	2,675	(2,712)	-101%	(9,923)	(5,196)	(4,727)	91%	-	-	-	(9,960)	(2,521)	(7,439)
Sum	14,793	12,810	1,983	15%	(11,278)	(8,090)	(3,188)	-39%	(6,272)	(6,717)	445	(2,757)	(1,997)	(760)

Notes:
- Deferred Commissions, which total up to 14.4% of Deferred Revenue, are not included in the schedule.
- See the Segment Information footnote in Form 10-Q for the reconciliation of Adjusted EBITDA to Net Income.
- See the Sales Information slide in the Appendix for a roll-forward of Deferred Revenue.

Definitions

- “Deferred Revenue” primarily consists of billings or payments received in advance of revenue recognition from subscription services and is recognized as the revenue recognition criteria are met. The Company generally invoices customers in annual installments upon execution of a contract. 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.

- “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.

- “Contracted” is the sum of Invoiced Amounts plus the Change in Unbilled Deferred Revenue (not recorded on the balance sheet) and, as the term reflects represents, the total amount of contracts with customers that were entered into during the period.

- “Sales Flow-Through” is the year-over-year change in Adjusted EBITDA divided by the year-over-year change in sales.

Definitions

- "Adjusted EBITDA" (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. A reconciliation of "Adjusted EBITDA," to consolidated net income (loss), the most comparable GAAP financial measure is provided within this presentation. The Company references this non-GAAP financial measure in its decision making because it provides supplemental information that facilitates consistent internal comparisons to the historical operating performance of prior periods and the Company believes it provides investors with greater transparency to evaluate operational activities and financial results. We are unable to provide a reconciliation of forward-looking estimates of non-GAAP Adjusted EBITDA to GAAP measures because certain information needed to make a reasonable forward-looking estimate is difficult to estimate and dependent on future events which may be uncertain or out of our control, including the amount of AAP contracts invoiced, the number of AAP contracts that are renewed, necessary costs to deliver our offerings such as unanticipated content development costs, and other potential variables. Accordingly, a reconciliation is not available without unreasonable effort.

- "Invoiced" is the sum of reported Net Sales plus the change in Deferred Revenue reported on the balance sheet (a portion of which is recorded as a currant 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.

- Client Partner Ramp is the expected amount of invoiced amounts the Company expects its client partners to generate based upon the length of time the client partner has been in a sales role. This metric measures client partners who are currently employed by the Company and does not subtract any accounts that are transitioned to a client partner from a previous client partner.