

Investor Update

Second Quarter FY19



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.

Three Takeaways

1. We achieved strong second quarter results, which were ahead of our expectations.
2. Our subscription-based model is driving our overall growth, attractive subscription metrics and compelling economics.
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Total Company - Revenue

Franklin Covey Revenue
(in millions)



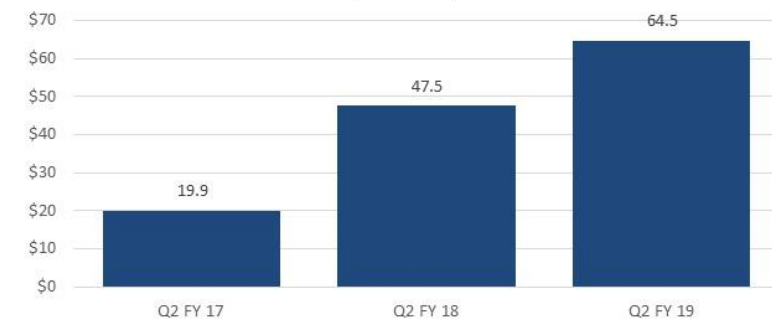
Franklin Covey Invoiced
(in millions)



Franklin Covey Contracted
(in millions)



Franklin Covey Billed and Unbilled Contracted
Balance
(in millions)



Total Company – Financial Summary

(in millions and unaudited)

Financial Summary	Q2 19	Q2 18	Chg	%	YTD Q2 19	YTD Q2 18	chg	%	LTM Q2 19	LTM Q2 18	chg	%
Sales	50.4	46.5	3.8	8.2%	104.2	94.5	9.7	10.3%	219.5	197.8	21.7	11.0%
Cost of Sales	15.0	13.8	1.2	8.6%	32.1	28.9	3.2	11.0%	64.7	60.8	3.9	6.5%
Gross Profit	35.4	32.7	2.6	8.0%	72.1	65.6	6.5	10.0%	154.8	137.0	17.8	13.0%
Gross Profit %	70.2%	70.3%			69.3%	69.4%			70.5%	69.3%		
Operating SG&A	34.4	33.4	1.0	3.0%	68.0	65.7	2.3	3.6%	138.7	126.2	12.5	9.9%
Operating SG&A %	68.3%	71.8%			65.3%	69.5%			63.2%	63.8%		
Adjusted EBITDA	1.0	(0.7)	1.7		4.1	(0.1)	4.2		16.1	10.8	5.3	48.6%

Key Points

- Revenue grew 8.2% for the quarter and 11.0% for LTM.
- Gross Profit increased 8.0% for the quarter and 13.0% for the LTM.
- Operating SG&A/Sales Percent declined to 68.3% from 71.8% in last year's second quarter.
- Adjusted EBITDA grew \$1.6M for the quarter and \$4.2M year to date.

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

Enterprise - Revenue

Enterprise Revenue
(in millions)



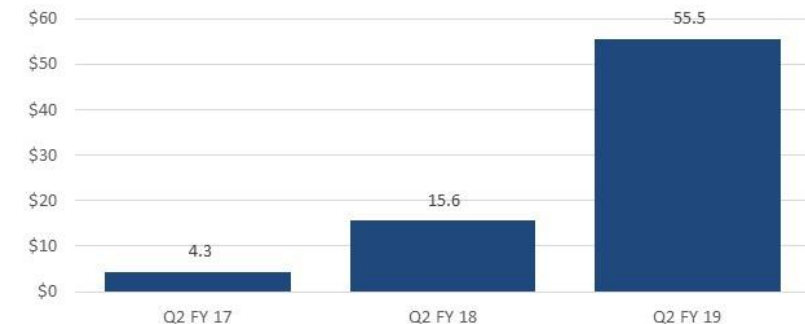
Enterprise Invoiced
(in millions)



Enterprise Contracted
(in millions)



Enterprise Billed and Unbilled Contracted
Balance
(in millions)



Enterprise Division - Financial Summary

(in millions and unaudited)

Financial Summary	Q2 19	Q2 18	Chg	%	YTD Q2 19	YTD Q2 18	chg	%	LTM Q2 19	LTM Q2 18	chg	%
Sales	39.3	36.3	3.0	8.3%	81.5	73.8	7.6	10.3%	166.7	146.8	19.9	13.6%
Cost of Sales	9.8	9.1	0.7	8.0%	22.1	19.5	2.5	12.8%	43.4	40.9	2.5	6.1%
Gross Profit	29.5	27.2	2.3	8.3%	59.4	54.3	5.1	9.5%	123.3	105.9	17.4	16.5%
Gross Profit %	75.1%	75.0%			73.0%	73.6%			74.0%	72.1%		
Operating SG&A	25.7	24.7	1.0	4.1%	50.4	48.0	2.4	5.0%	102.2	91.6	10.7	11.7%
Operating SG&A %	65.5%	68.1%			61.9%	65.0%			61.3%	62.4%		
Adjusted EBITDA	3.8	2.5	1.3	50.9%	9.0	6.3	2.7	43.4%	21.1	14.3	6.7	47.1%

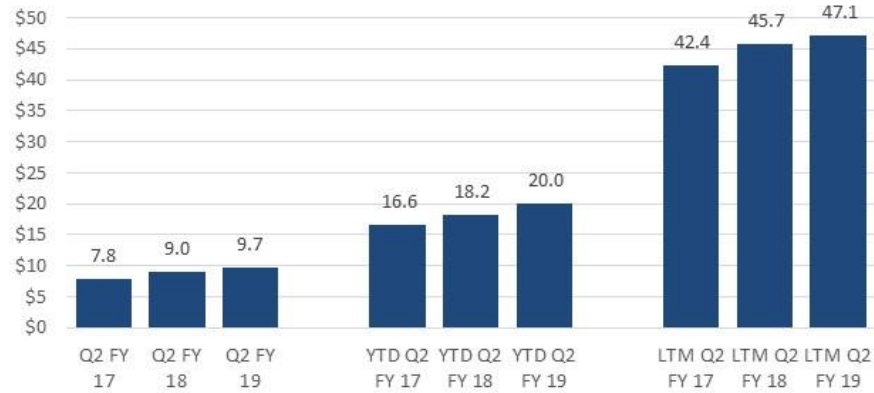
Key Points

- Revenue grew 8.3% for the quarter and 13.6% for LTM.
- Operating SG&A as percent of sales decreased from 68.1% to 65.5% in the quarter.
- Gross Profit increased 8.3% for the quarter and 16.5% for the LTM.
- Adjusted EBITDA increased 50.9% for the quarter and 53.2% for the LTM.

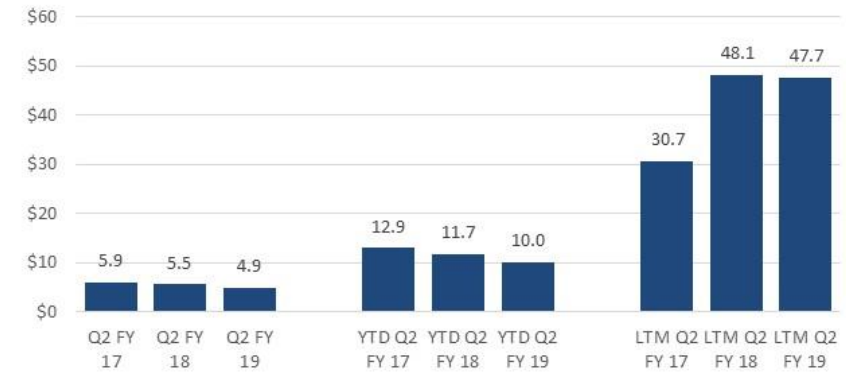
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures. Please see the appendix for additional information.

Education - Revenue

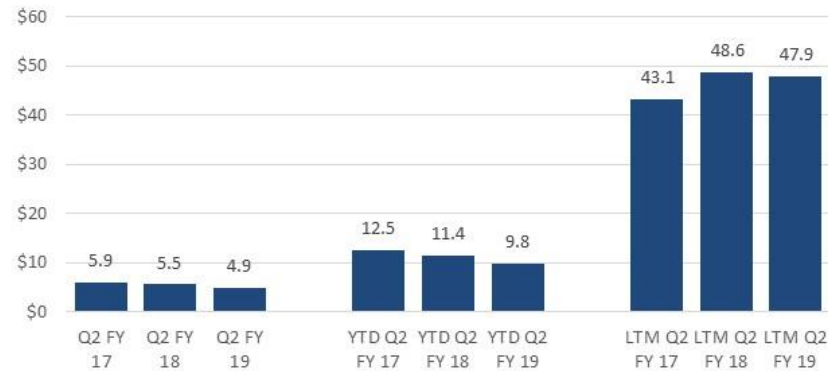
Education Revenue
(in millions)



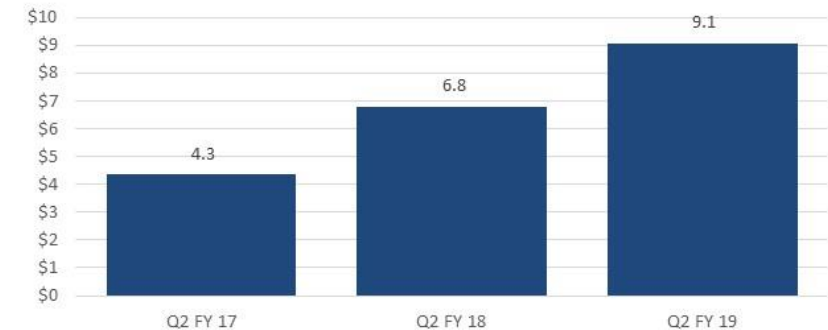
Education Invoiced
(in millions)



Education Contracted
(in millions)



Education Billed and Unbilled Contracted
Balance
(in millions)



Education Division - Financial Summary

(in millions and unaudited)

Financial Summary	Q2 19	Q2 18	Chg	%	YTD Q2 19	YTD Q2 18	chg	%	LTM Q2 19	LTM Q2 18	chg	%
Sales	9.7	9.0	0.7	7.7%	20.0	18.2	1.9	10.2%	47.1	45.7	1.4	3.1%
Cost of Sales	4.3	3.8	0.4	11.1%	8.2	7.6	0.7	8.3%	18.2	16.6	0.6	3.7%
Gross Profit	5.4	5.2	0.3	5.2%	11.8	10.6	1.2	11.6%	29.9	29.1	0.8	2.8%
Gross Profit %	56.0%	57.3%			59.0%	58.3%			63.4%	63.6%		
Operating SG&A	6.3	6.4	-	0.4%	13.0	12.6	0.4	3.3%	26.4	23.6	2.8	11.9%
Operating SG&A %	65.4%	70.1%			64.8%	69.2%			55.9%	51.5%		
Adjusted EBITDA	(0.9)	(1.2)	0.2		(1.2)	(2.0)	0.8		3.5	5.5	(2.0)	

Key Points

- Revenue grew 7.7% for the quarter and 3.1% for LTM.
- Gross Margin increased 27 bps for the quarter and 80 bps for the LTM.
- Operating SG&A as a percent of Sales decreased from 70.1% in Q2 FY18 to 65.4% in Q2 FY19.
- Adjusted EBITDA improved \$.2M in the second quarter.

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

Three Takeaways

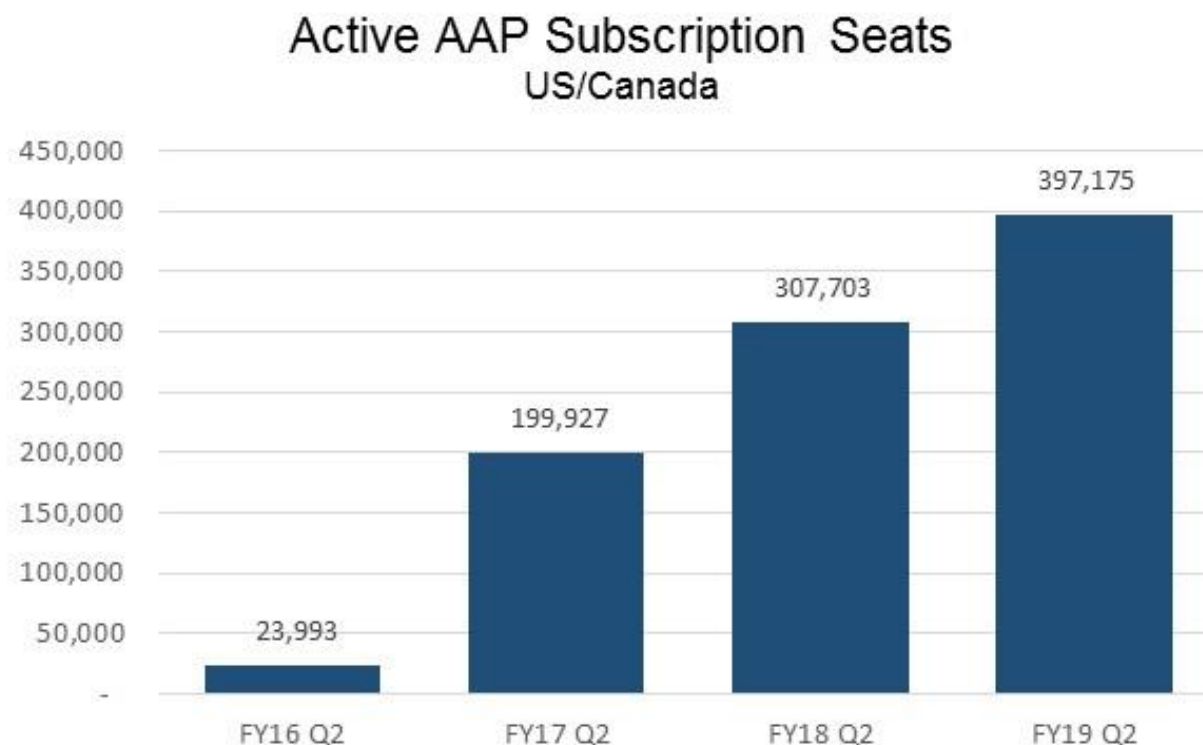
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Continued Strong Growth

All Access Pass and Related Sales
(in millions)



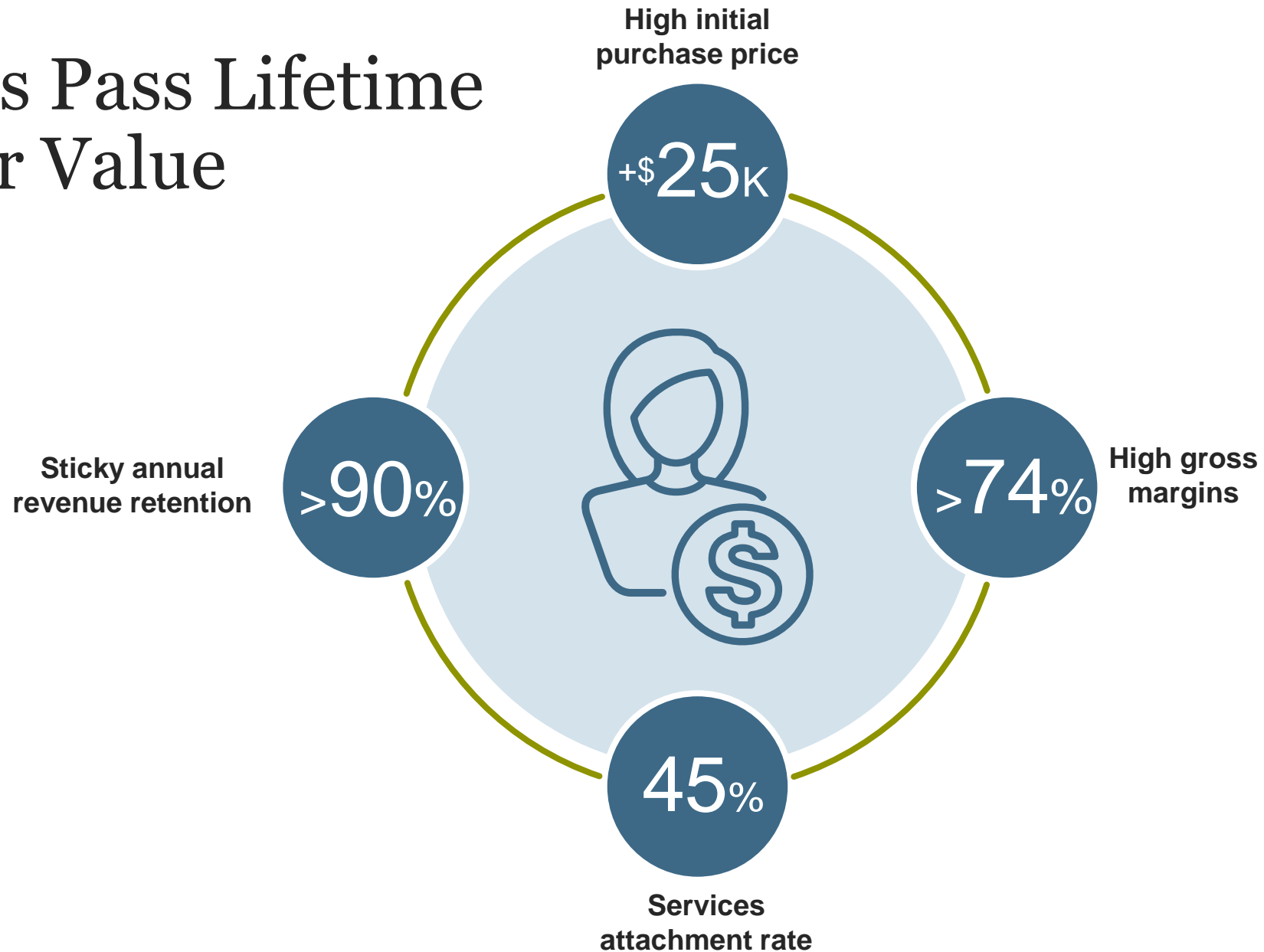
Continued Strong Growth



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

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) <ul style="list-style-type: none"> • 4 Essential Roles of Leaders • Find Out Why • 6 Critical Practices for Leading a Team
Delivery in three key modalities <ul style="list-style-type: none"> • Live • Live Online • On Demand 	Delivery in four key modalities <ul style="list-style-type: none"> • 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)

Coming Soon: At the end of this month, we will be adding our newest offering on *Unconscious Bias: Understanding Bias to Unleash Potential* to the All Access Pass. We will also be updating our on-demand digital library, adding another core offering on Accountability and we are finishing licensing agreements with two significant authors which we will announce when they are completed.

Increased Visibility and Predictability of Future Revenue

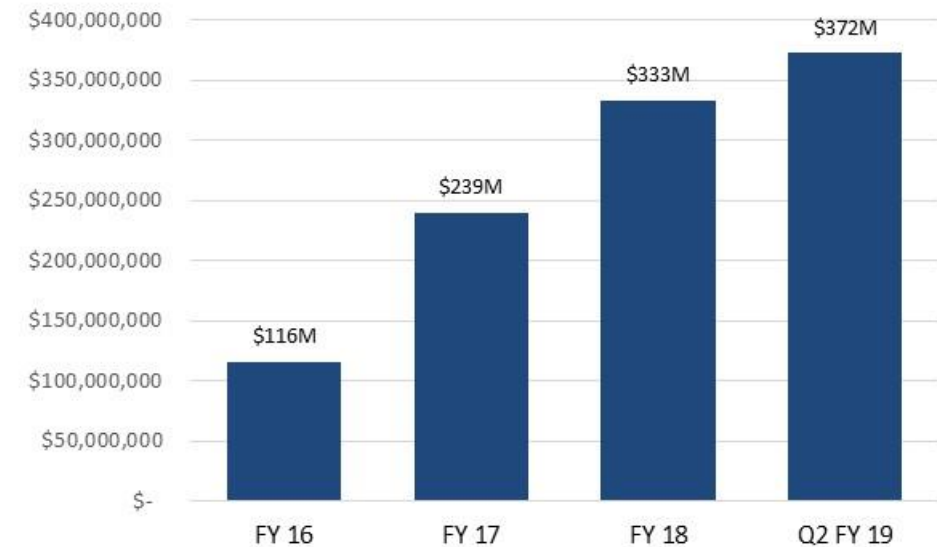
Deferred Revenue (Billed and Unbilled) in Enterprise Division

In \$Millions



Total NPV of Future All Access Pass Revenue

In \$Millions

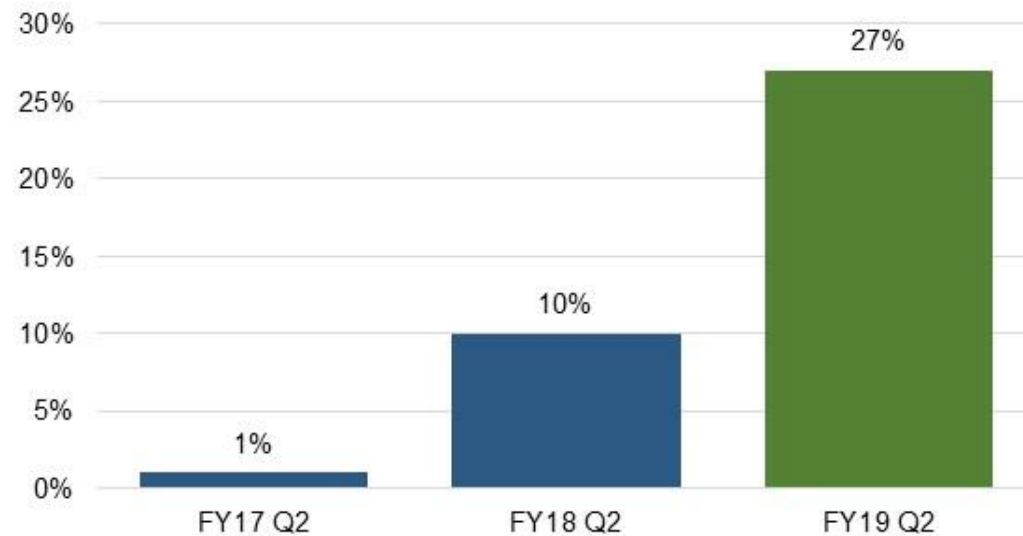


>\$220k Average NPV of revenues from a single average AAP contract

Note: Deferred Revenue (billed and unbilled) is a Non-GAAP operational measure. Deferred Revenue (billed) represents the amount of non-cancellable subscription contracts that have been invoiced to our customers and is considered in our Deferred Revenue account on our Balance Sheet. Deferred Revenue (unbilled) represents the amount of non-cancellable contracts that have not been billed to our customers and are not reflected in our financial statements, but is an important management measure.

All Access Pass Structurally Durable

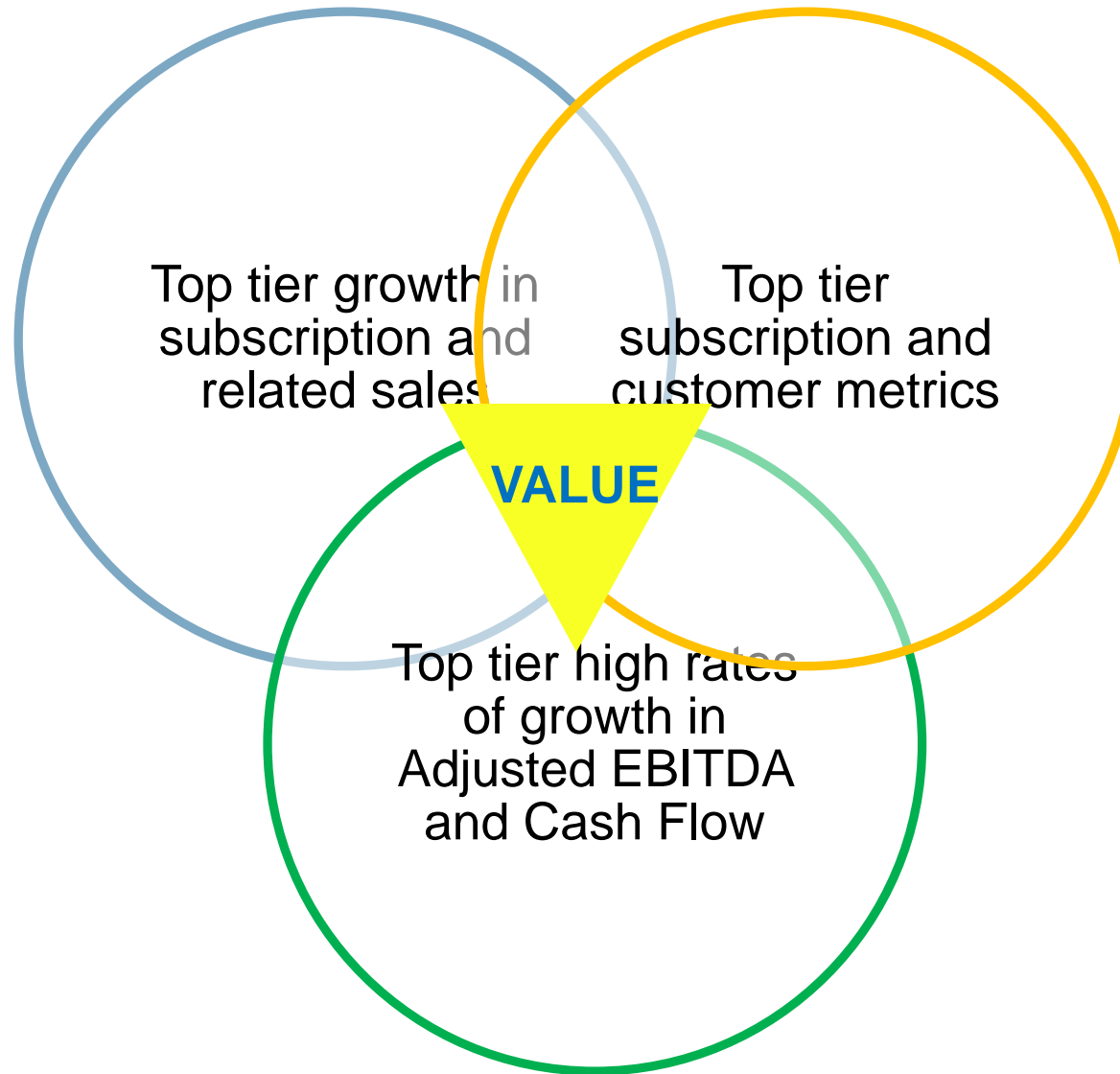
AAP Clients (US & Canada) with Multi-Year Contracts



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

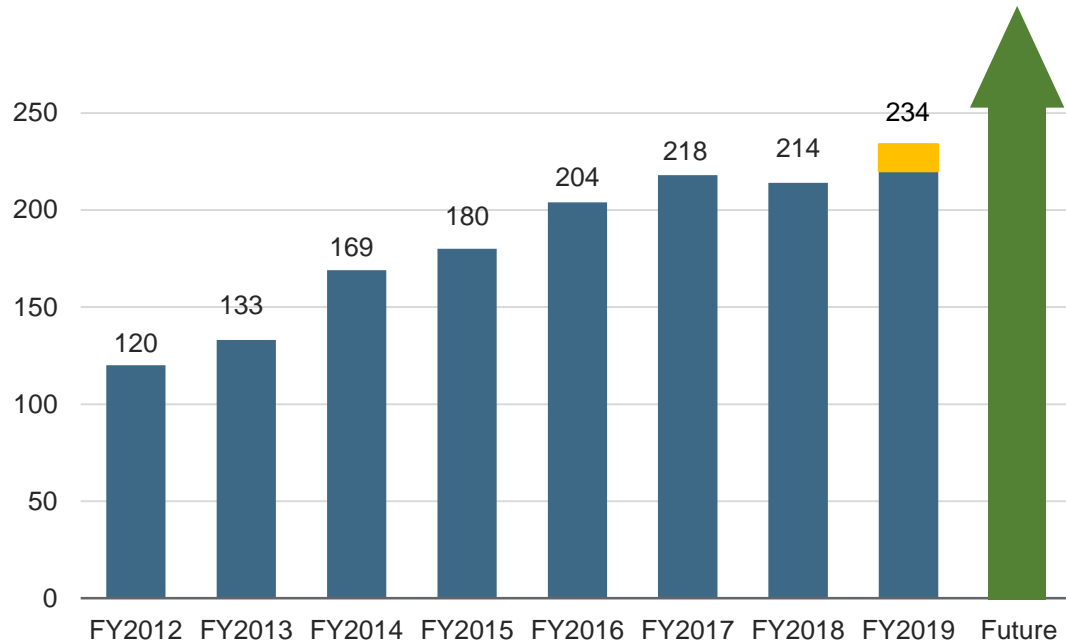


Three Takeaways

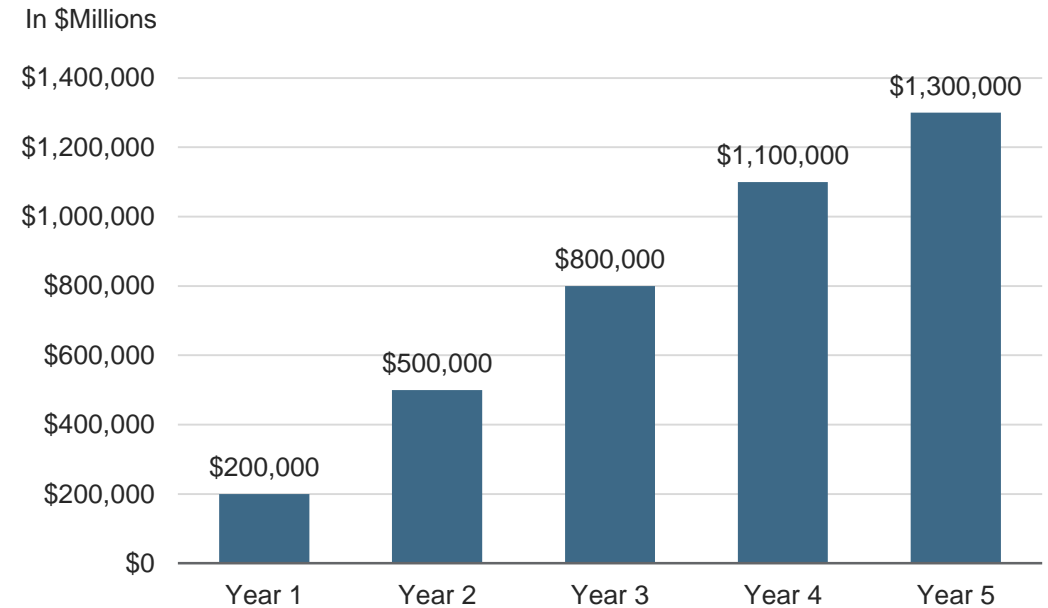
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Unit Expansion Economics for Growth

CLIENT PARTNER ADDITIONS



CLIENT PARTNER RAMP*

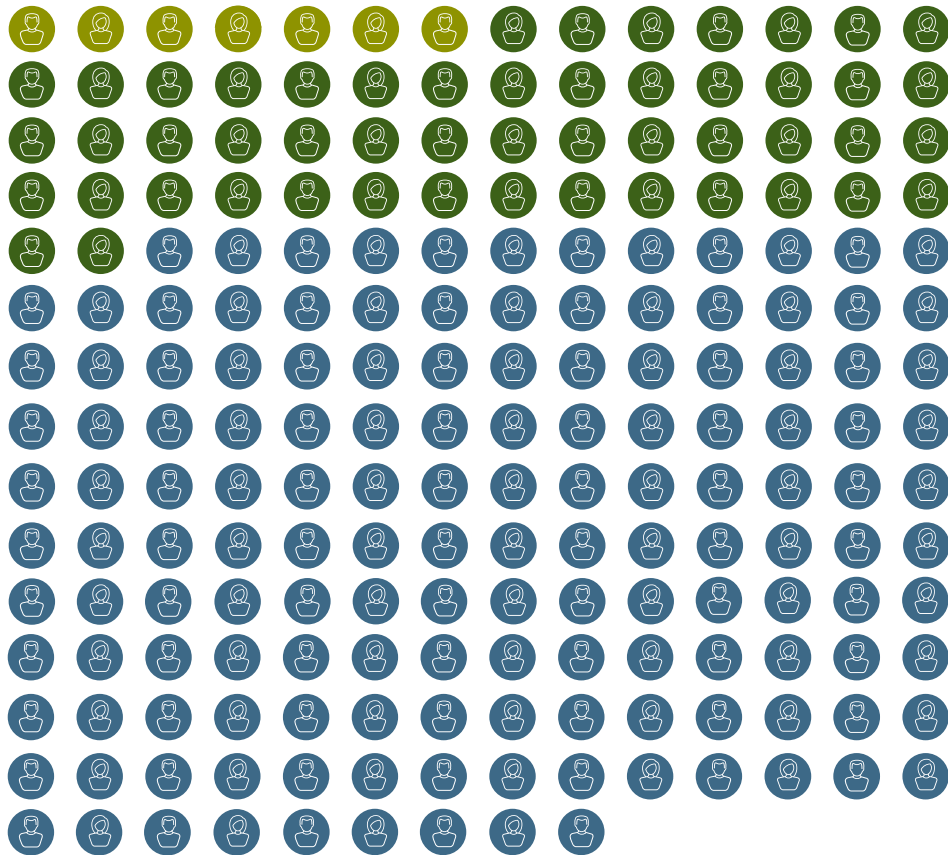


*See Client Partner ramp definition in Appendix.

We cover investment
on a new client
partner within:

1 Year

Market Opportunity for Expansion



1 icon = 1,000 Accounts/Schools

ENTERPRISE

55,000

Companies in U.S. target market

11,000

Assigned accounts

4,000

Active customers

7,000

Assigned, but not yet customers

44,000

Unassigned accounts

EDUCATION

150,000

K-12 Schools in US and Canada

47,000

Assigned schools

2,700

Active schools

44,300

Assigned, but not yet customers

103,000

Unassigned schools

Thought Leadership

BOOKS (20+ TITLES)



Over 40 Million Sold

Coming Soon

ARTICLES AND COLUMNS

Forbes Inc.

Weekly Contributing Columns

Ongoing Articles Featured in Numerous Industry Publications

DIGITAL DISTRIBUTION

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ON LEADERSHIP
WITH
SCOTT MILLER

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**Great Life,
Great Career**
HOSTED BY SCOTT MILLER

WEBCASTS – 30+ Offered Monthly

CONFERENCE KEYNOTES

WOB
World of Business Ideas

CHIEF LEARNING OFFICER
SYMPOSIUM

atd Association for
Talent Development

SHRM
SOCIETY FOR HUMAN
RESOURCE MANAGEMENT

Hundreds of Keynotes Annually Occurring
at Global Conferences and Events

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Guidance

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+ 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.

Appendix

Other Information

Other Income Statement Information:

- Depreciation: \$5.2M in FY2018, expected to total approximately \$6.7M 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 \$2.6M 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 effective tax rate is expected to be 26% to 28% in FY19 before effect of permanent book/tax differences (undetermined) 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 \$5.5M to \$6.5M in FY2019.
- Capitalized Curriculum excluding acquired content: \$3.0M in FY2018, expected to total approximately \$5.5M to \$6.0M in FY2019, reflecting localization of AAP content, AAP content development, and Education content development.
- Share Count: 13,964K shares outstanding as of March 31, 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; 230 on February 28, 2019; expected to be 234 on August 31, 2019.
- Impact of FX in Q2 FY19: decrease to Sales \$.7M (decrease \$1.1M YTD); decrease to Adjusted EBITDA \$.5M (decrease \$.6M YTD).
- Impact of implementing Topic 606: increased sales \$.5M in Q2 FY19, and increased sales \$1.5M 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)

	Q1 FY 19	Q1 FY 18	Change	Percent
All Access Pass*	9.8	7.2	2.6	36%
Onsites	10.1	8.7	1.4	16%
Facilitator	1.8	3.4	(1.6)	-46%
Other	0.0	0.0	(0.0)	-32%
Total US/Canada	22.6	20.5	2.1	10%
International Direct Offices	9.6	8.9	0.7	8%
International Licensees	3.7	3.3	0.4	11%
Other Offices	6.2	4.8	1.5	30%
Total Enterprise	42.1	37.5	4.6	12%

	Q2 FY 19	Q2 FY 18	Change	Percent
All Access Pass*	10.1	7.1	3.1	44%
Onsites	8.1	6.5	1.6	24%
Facilitator	3.1	4.4	(1.3)	-30%
Other	0.5	1.6	(1.1)	-71%
Total US/Canada	21.7	19.5	2.2	11%
International Direct Offices	9.4	8.7	0.7	8%
International Licensees	2.9	3.0	(0.1)	-5%
Other Offices	5.3	5.1	0.2	4%
Total Enterprise	39.3	36.3	3.0	8%

	YTD Q2 FY 19	YTD Q2 FY 18	Change	Percent
All Access Pass*	20.0	14.3	5.7	40%
Onsites	18.2	15.2	3.0	20%
Facilitator	4.9	7.7	(2.9)	-37%
Other	0.5	1.6	(1.1)	-71%
Total US/Canada	21.7	19.5	2.2	11%
International Direct Offices	19.0	17.6	1.4	8%
International Licensees	6.6	6.4	0.2	3%
Other Offices	11.6	9.9	1.7	17%
Total Enterprise	81.5	73.8	7.6	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			

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)			

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)

	Enterprise Division				Education Division				Corporate			Total Company			
Current Quarter - Q2	FY19	FY18	Change	%	FY19	FY18	Change	%	FY19	FY18	Change	FY19	FY18	Change	%
Sales	39,320	36,321	2,999	8.3%	9,698	9,007	691	7.7%	1,338	1,219	119	50,356	46,547	3,809	8.2%
Change in Deferred Revenue	3,052	3,704	(652)	-17.6%	(4,847)	(3,493)	(1,354)	38.8%	-	-	-	(1,795)	211	(2,006)	
Invoiced Amounts	42,372	40,025	2,347	5.9%	4,851	5,514	(663)	-12.0%	1,338	1,219	119	48,561	46,758	1,803	3.9%
Change in Unbilled Deferred Revenue	457	(792)	1,249	-	76	-	76		-	-	-	533	(792)	1,325	-167.3%
Total Contracts Signed	42,829	39,233	3,596	9.2%	4,927	5,514	(587)	-10.6%	1,338	1,219	119	49,094	45,966	3,128	6.8%

	Enterprise Division				Education Division				Corporate			Total Company			
Year to Date - Q2	FY19	FY18	Change	%	FY19	FY18	Change	%	FY19	FY18	Change	FY19	FY18	Change	%
Sales	81,468	73,837	7,631	10.3%	20,044	18,183	1,861	10.2%	2,673	2,459	214	104,185	94,479	9,706	10.3%
Change in Deferred Revenue	(291)	1,478	(1,769)	-119.7%	(10,017)	(6,458)	(3,559)	55.1%	-	-	-	(10,308)	(4,980)	(5,328)	107.0%
Invoiced Amounts	81,177	75,315	5,862	7.8%	10,027	11,725	(1,698)	-14.5%	2,673	2,459	214	93,877	89,499	4,378	4.9%
Change in Unbilled Deferred Revenue	694	(1,388)	2,082	-150.0%	(230)	(300)	70	-23.3%	-	-	-	464	(1,688)	2,152	-127.5%
Total Contracts Signed	81,871	73,927	7,944	10.7%	9,797	11,425	(1,628)	-	2,673	2,459	214	94,341	87,811	6,530	7.4%

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	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	104,185
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)	(10,309)
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	93,876
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	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	25,700
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)	(36,009)
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)	(10,309)
FX, 606, and Other Changes	(66)	20	(9)	217	162	225	427	(7)	(14)	631	1,457	-	1,457
Ending Balance (deferred 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	39,580
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	24,495
New Unbilled Contracts	-	-	751	15,600	16,351	1,863	2,149	2,766	13,437	20,215	1,434	4,578	6,012
Amounts Invoiced	(400)	(250)	-	(928)	(1,578)	(2,759)	(2,941)	(3,162)	(4,009)	(12,871)	(1,503)	(4,045)	(5,548)
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	24,959
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	23,340
Education Memberships	652	226	4,130	9,766	14,774	893	159	4,978	13,142	19,172	827	382	1,209
Other Subscriptions and Adjustments	685	683	466	644	2,478	167	373	679	526	1,745	701	450	1,151
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	25,700

Notes:

- Invoiced Amounts represent the amount billed (invoiced) in the period. The Invoiced Amount is equal to Reported Net Sales, plus the associated change 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)

2nd 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	39.3	39.3	-	9.7	9.3	0.4	50.4	50.0	0.4
Gross Profit	29.5	29.5	-	5.4	5.0	0.4	35.4	35.0	0.4
Selling, general and administrative	25.7	25.7	-	6.3	6.3	0.0	34.4	34.4	0.0
Adjusted EBITDA	3.8	3.9	-	(0.9)	(1.3)	0.4	1.0	0.6	0.4
Net Loss							(4.1)	(3.7)	0.4

YTD 2nd 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	81.5	81.5	-	20.0	18	1.6	104.2	102.6	1.6
Gross Profit	59.4	59.4	-	11.8	10	1.6	72.1	70.5	1.6
Selling, general and administrative	50.4	50.4	-	13.0	13	0.1	68.0	67.9	0.1
Adjusted EBITDA	9.0	9.0	-	(1.2)	(3)	1.5	4.1	2.6	1.5
Net Loss							(5.4)	(3.9)	1.5

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)

	<u>Enterprise Division</u>				<u>Education Division</u>				<u>Corporate</u>			<u>Total Company</u>			
<u>Current Quarter - Q2</u>	FY19	FY18	Chang	%	FY19	FY18	Chang	%	FY19	FY18	Chang	FY19	FY18	Chang	%
Net Sales	39,320	36,321	2,999	8%	9,698	9,007	691	8%	1,338	1,219	119	50,356	46,547	3,809	8%
Cost of Sales	9,805	9,076	729	8%	4,269	3,844	425	11%	916	883	33	14,990	13,803	1,187	9%
Gross Profit	29,515	27,245	2,270	8%	5,429	5,163	266	5%	422	336	86	35,366	32,744	2,622	8%
GM%	75.1%	75.0%	0.1%		56.0%	57.3%	-1.3%					70.2%	70.3%	-0.1%	
Segment SG&A	25,754	24,752	1,002	4%	6,338	6,314	24	0%	2,310	2,346	(36)	34,402	33,412	990	3%
Adjusted EBITDA	3,761	2,493	1,268	51%	(909)	(1,151)	242	-	(1,888)	(2,010)	122	964	(668)	1,632	-

	<u>Enterprise Division</u>				<u>Education Division</u>				<u>Corporate</u>			<u>Total Company</u>			
<u>Year to Date - Q2</u>	FY19	FY18	Chang	%	FY19	FY18	Chang	%	FY19	FY18	Chang	FY19	FY18	Chang	%
Sales	81,468	73,837	7,631	10%	20,044	18,183	1,861	10%	2,673	2,459	214	104,185	94,479	9,706	10%
Cost of Sales	22,021	19,529	2,492	13%	8,222	7,590	632	8%	1,794	1,748	46	32,037	28,867	3,170	11%
Gross Profit	59,447	54,308	5,139	9%	11,822	10,593	1,229	12%	879	711	168	72,148	65,612	6,536	10%
GM%	73.0%	73.6%	-0.6%		59.0%	58.3%	0.7%					69.2%	69.4%	-0.2%	
Segment SG&A	50,418	48,013	2,405	5%	12,996	12,586	410	3%	4,601	5,079	(478)	68,015	65,678	2,337	4%
Adjusted EBITDA	9,029	6,295	2,734	43%	(1,174)	(1,993)	819	-	(3,722)	(4,368)	646	4,133	(66)	4,199	-

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	
	Q2 FY19	Q2 FY18	Q2 FY19	Q2 FY18	Q2 FY19	Q2 FY18
Reported Adjusted EBITDA	\$ 964	\$ (668)	\$ 4,133	\$ (66)	\$ 16,077	\$ 10,819
Adjustments						
Change in Deferred Revenue <small>(related to subscription sal</small>	(1,795)	211	(10,309)	(4,982)	6,077	13,021
Costs deferred with Deferred Revenue	(64)	(282)	794	294	(617)	(2,203)
Amortization of capitalized development	1,424	1,285	2,856	2,562	5,573	4,496
Purchases of property and equipment	(764)	(1,874)	(2,195)	(4,288)	(4,435)	(7,531)
Capitalized curriculum development costs	(567)	(1,482)	(1,256)	(2,185)	(2,069)	(6,306)
Cash paid for interest	(625)	(660)	(1,276)	(1,274)	(2,657)	(2,719)
Net Cash Generated	<u>\$ (1,427)</u>	<u>\$ (3,470)</u>	<u>\$ (7,253)</u>	<u>\$ (9,939)</u>	<u>\$ 17,949</u>	<u>\$ 9,577</u>

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		Two Quarters Ended	
	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
Reconciliation of net loss to Adjusted EBITDA:				
Net loss	\$ (4,075)	\$ (2,740)	\$ (5,432)	\$ (5,132)
Adjustments:				
Interest expense, net	371	638	975	1,125
Income tax provision (benefit)	148	(3,025)	248	(4,373)
Amortization	1,300	1,395	2,538	2,791
Depreciation	1,697	1,379	3,251	2,280
Stock-based compensation	1,043	779	1,989	1,736
Increase in contingent consideration liabilities	52	477	76	652
Licensee transition costs	428	-	488	-
ERP implementation costs	-	429	-	855
Adjusted EBITDA	<u>\$ 964</u>	<u>\$ (668)</u>	<u>\$ 4,133</u>	<u>\$ (66)</u>
Adjusted EBITDA margin	1.9%	-1.4%	4.0%	-0.1%

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		Two Quarters Ended	
	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
Sales by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 36,414	\$ 33,275	\$ 74,885	\$ 67,471
International licensees	2,906	3,046	6,583	6,366
	<u>39,320</u>	<u>36,321</u>	<u>81,468</u>	<u>73,837</u>
Education Division	9,698	9,007	20,044	18,183
Corporate and other	<u>1,338</u>	<u>1,219</u>	<u>2,673</u>	<u>2,459</u>
Consolidated	<u>\$ 50,356</u>	<u>\$ 46,547</u>	<u>\$ 104,185</u>	<u>\$ 94,479</u>
Gross Profit by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 27,294	\$ 24,881	\$ 54,364	\$ 49,442
International licensees	2,221	2,364	5,084	4,866
	<u>29,515</u>	<u>27,245</u>	<u>59,448</u>	<u>54,308</u>
Education Division	5,429	5,163	11,822	10,593
Corporate and other	<u>422</u>	<u>336</u>	<u>878</u>	<u>711</u>
Consolidated	<u>\$ 35,366</u>	<u>\$ 32,744</u>	<u>\$ 72,148</u>	<u>\$ 65,612</u>
Adjusted EBITDA by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 2,543	\$ 1,331	\$ 6,183	\$ 3,723
International licensees	1,218	1,162	2,846	2,572
	<u>3,761</u>	<u>2,493</u>	<u>9,029</u>	<u>6,295</u>
Education Division	(909)	(1,151)	(1,174)	(1,993)
Corporate and other	<u>(1,888)</u>	<u>(2,010)</u>	<u>(3,722)</u>	<u>(4,368)</u>
Consolidated	<u>\$ 964</u>	<u>\$ (668)</u>	<u>\$ 4,133</u>	<u>\$ (66)</u>

Condensed Consolidated Balance Sheets

(in thousands and unaudited)

	February 28, 2019	August 31, 2018		February 28, 2019	August 31, 2018
<u>Assets</u>			<u>Liabilities and Shareholders' Equity</u>		
Current assets:			Current liabilities:		
Cash	\$ 13,108	\$ 10,153	Current portion of term notes payable	\$ 7,813	\$ 10,313
Accounts receivable, less allowance for doubtful accounts of \$4,185 and \$3,555	50,591	71,914	Current portion of financing obligation	2,211	2,092
Inventories	2,840	3,160	Accounts payable	7,933	9,790
Income taxes receivable	-	179	Income taxes payable	107	-
Prepaid expenses and other current assets	12,879	14,757	Deferred revenue	45,209	51,888
Total current assets	79,418	100,163	Accrued liabilities	16,074	20,761
			Total current liabilities	79,347	94,844
Property and equipment, net	19,725	21,401	Line of credit	8,376	11,337
Intangible assets, net	50,146	51,934	Term notes payable, less current portion	1,875	2,500
Goodwill	24,220	24,220	Financing obligation, less current portion	17,844	18,983
Deferred income tax assets	5,094	3,222	Other liabilities	7,490	5,501
Other long-term assets	11,015	12,935	Deferred income tax liabilities	210	210
	<u>\$ 189,618</u>	<u>\$ 213,875</u>	Total liabilities	115,142	133,375
			Shareholders' equity:		
			Common stock	1,353	1,353
			Additional paid-in capital	212,960	211,280
			Retained earnings	54,994	63,569
			Accumulated other comprehensive income	470	341
			Treasury stock at cost, 13,109 and 13,159 shares	(195,301)	(196,043)
			Total shareholders' equity	74,476	80,500
				<u>\$ 189,618</u>	<u>\$ 213,875</u>

Condensed Consolidated Statements of Operations

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

	Quarter Ended		Two Quarters Ended	
	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
Net sales	\$ 50,356	\$ 46,547	\$ 104,185	\$ 94,479
Cost of sales	14,990	13,803	32,037	28,867
Gross profit	35,366	32,744	72,148	65,612
Selling, general, and administrative	35,925	35,097	70,568	68,921
Depreciation	1,697	1,379	3,251	2,280
Amortization	1,300	1,395	2,538	2,791
Loss from operations	(3,556)	(5,127)	(4,209)	(8,380)
Interest expense, net	(371)	(638)	(975)	(1,125)
Loss before income taxes	(3,927)	(5,765)	(5,184)	(9,505)
Income tax benefit (provision)	(148)	3,025	(248)	4,373
Net loss	\$ (4,075)	\$ (2,740)	\$ (5,432)	\$ (5,132)
Net loss per common share:				
Basic and diluted	\$ (0.29)	\$ (0.20)	\$ (0.39)	\$ (0.37)
Weighted average common shares:				
Basic and diluted	13,937	13,867	13,927	13,796
Other data:				
Adjusted EBITDA ⁽¹⁾	\$ 964	\$ (668)	\$ 4,133	\$ (66)

(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.

Adjusted EBITDA + Change in Deferred Revenue

(in thousands and unaudited)

	Enterprise Division				Education Division				Corporate			Total Company		
Current Quarter - Q2 FY19	FY19	FY18	Chang	%	FY19	FY18	Chang	%	FY19	FY18	Chang	FY19	FY18	Chang
Adjusted EBITDA	3,761	2,493	1,268	51%	(909)	(1,151)	242	-21%	(1,888)	(2,010)	122	964	(668)	1,632
Change in Deferred Revenue	3,052	3,704	(652)	-18%	(4,847)	(3,493)	(1,354)	39%	-	-	-	(1,795)	211	(2,006)
Total	6,813	6,197	616	10%	(5,756)	(4,644)	(1,112)	-24%	(1,888)	(2,010)	122	(831)	(457)	(374)

	Enterprise Division				Education Division				Corporate			Total Company		
Year to Date - Q2 FY19	FY19	FY18	Chang	%	FY19	FY18	Chang	%	FY19	FY18	Chang	FY19	FY18	Chang
Adjusted EBITDA	9,029	6,295	2,734	43%	(1,174)	(1,993)	819	-41%	(3,722)	(4,368)	646	4,133	(66)	4,199
Change in Deferred Revenue	(291)	1,478	(1,769)	-120%	(10,017)	(6,458)	(3,559)	55%	-	-	-	(10,308)	(4,980)	(5,328)
Total	8,738	7,773	965	12%	(11,191)	(8,451)	(2,740)	-32%	(3,722)	(4,368)	646	(6,175)	(5,046)	(1,129)

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.
- “Contracts Signed” 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.
- “Total NPV of Future All Access Pass Revenue” is an operational measure that represents the Net Present Value of future All Access Pass and related revenue. For this calculation we use an annual revenue retention rate of 90% and a discount rate of 10%.

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 Amounts” 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 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.
- 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.



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