

# Greatness Starts Here

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



**FranklinCovey™**



# Investor Update Second Quarter Fiscal Year 2022



# 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 our subscription offerings, including the All Access Pass and Leader in Me memberships; The duration and recovery from the COVID-19 pandemic; The ability of the Company to hire productive sales 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](http://www.franklincovey.com).

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

# Second Quarter & YTD Results



**+31%**

Subscription and Subscription  
Services Revenue

+32% YTD

**+18%**

Revenue Growth

+22% YTD

**+24%**

Deferred Revenue  
(Billed & Unbilled)

**77.9%**

Gross Margin Percent

77.8% YTD

**64%**

SG&A as Percent of Sales

63% YTD

**+57%**

Adjusted EBITDA

+103% YTD

# Expertise



The kinds of opportunities and challenges we help organizations address:



Individual access  
to information on  
a variety of personal topics



Individual  
skills and capabilities  
applied to the workplace



Collective behavior change  
against must-win  
organizational objectives

*Benefits individuals*

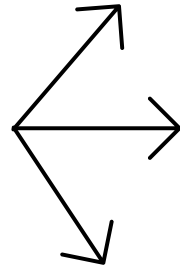


*Benefits individuals  
and organizations*



# Unique Kind of Company

**FranklinCovey**  
A UNIQUE KIND OF COMPANY



OCCUPY THE POSITION  
AS “MOST TRUSTED” IN  
THE INDUSTRY



EARN EXTRAORDINARILY  
HIGH LEVELS OF CLIENT  
LOYALTY AND  
COMMITMENT

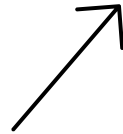


GENERATE EXTREMELY  
STRONG AND  
ACCELERATING “TOP-  
TIER” FINANCIAL  
RESULTS



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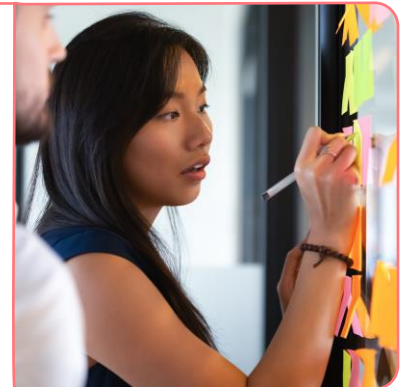
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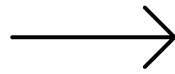


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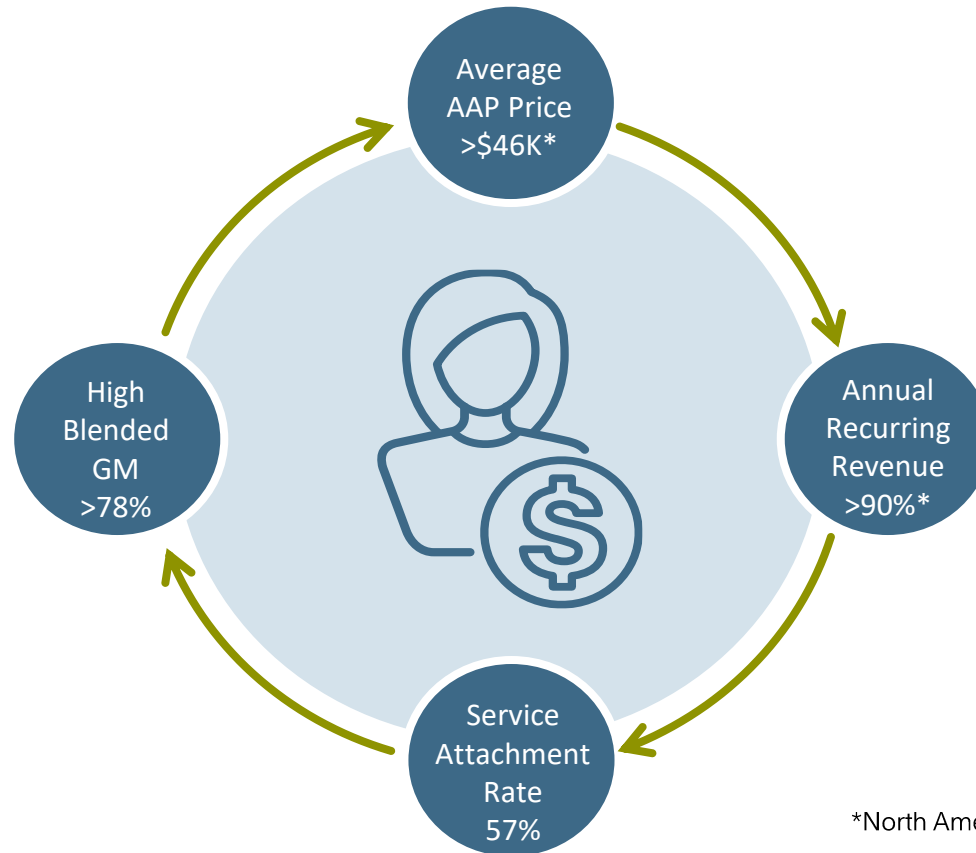




# Unique Kind of Company: Customer Lifetime Value



Earn extraordinarily high levels of client loyalty and commitment.



# Unique Kind of Company

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# Unique Kind of Company: Flywheel



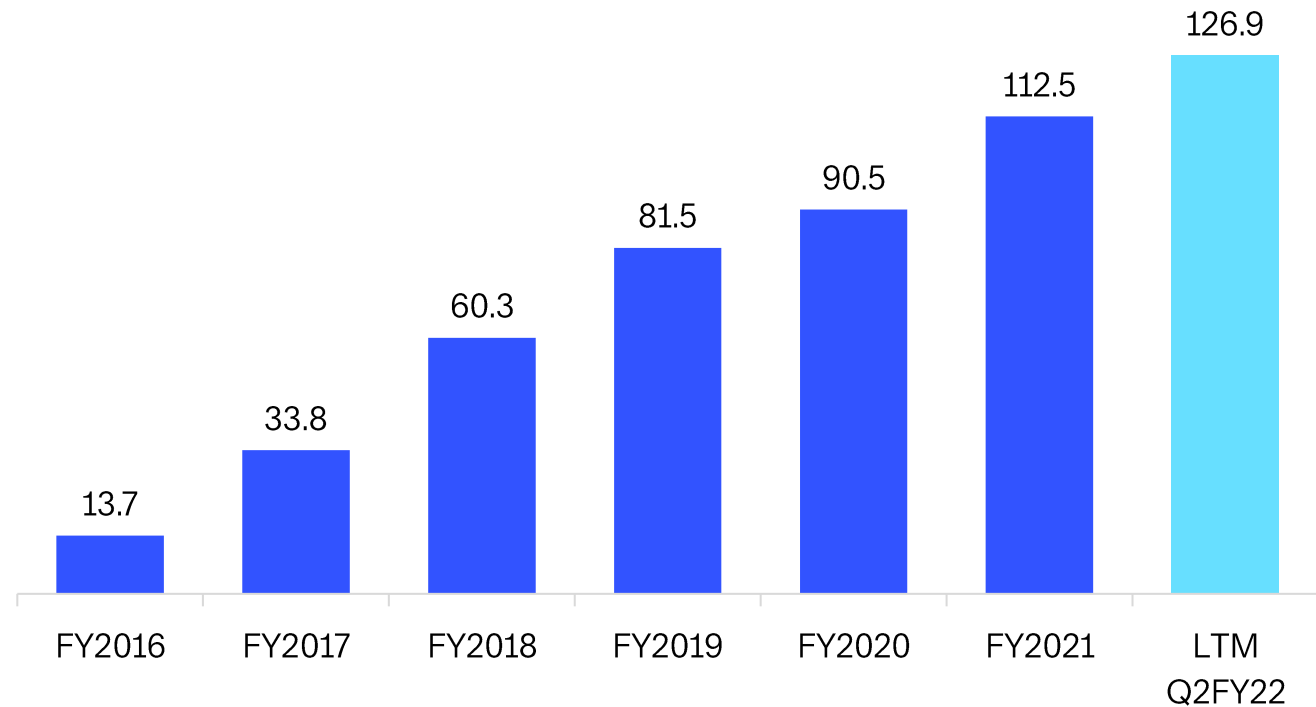
Generate extremely strong and accelerating “top-tier” financial results.



# Flywheel – 1. Growth in Subscription & Subscription Services



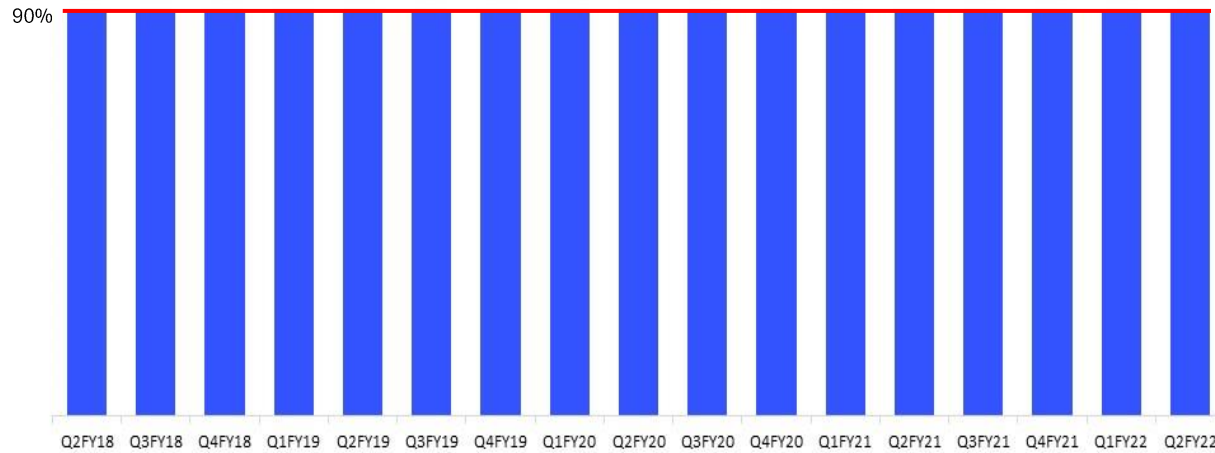
AAP & Subscription Services  
(in millions and unaudited)



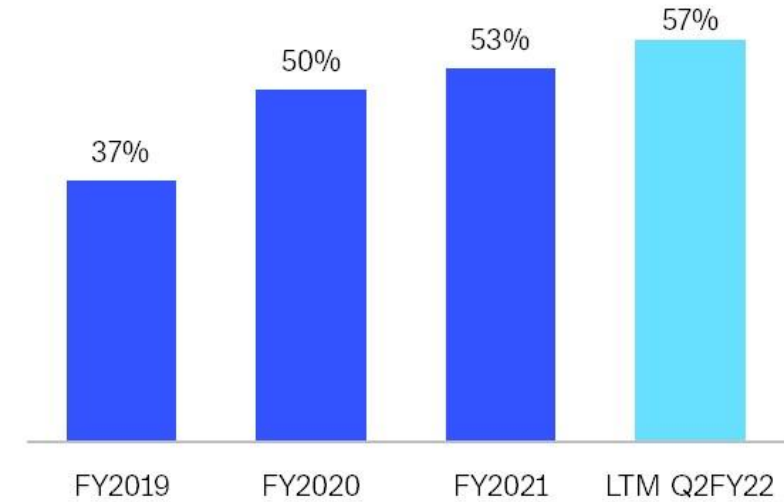
# Flywheel – 2. Durable Recurring Revenue



### North America Annual AAP Recurring Revenue Rate



### North America Multi-Year Active Pass Value (As a % of Total Active Pass Value)



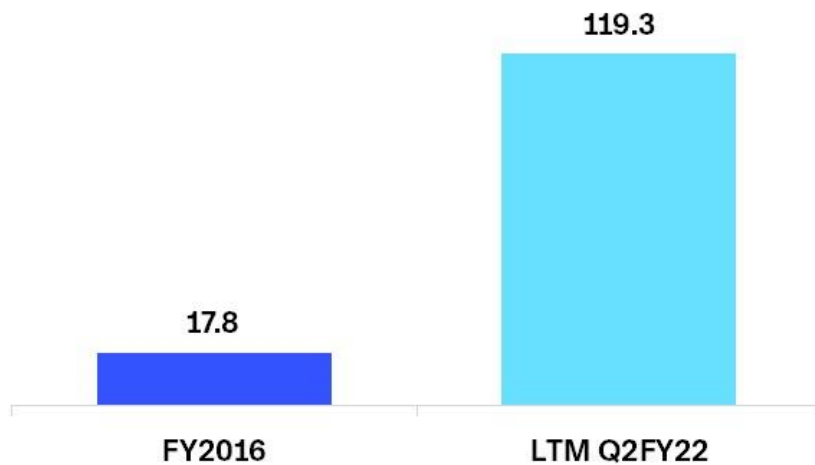


# Flywheel – 2. Durable Recurring Revenue

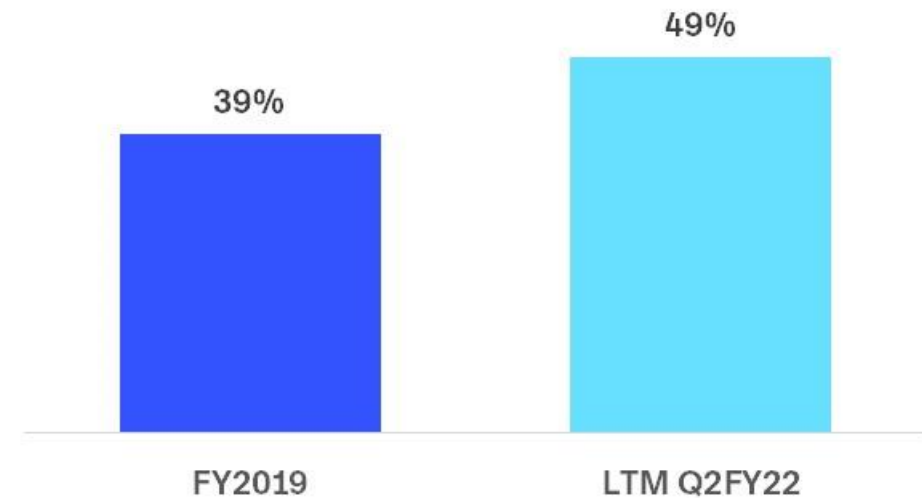


## Billed & Unbilled Deferred Revenue

(in millions and unaudited)



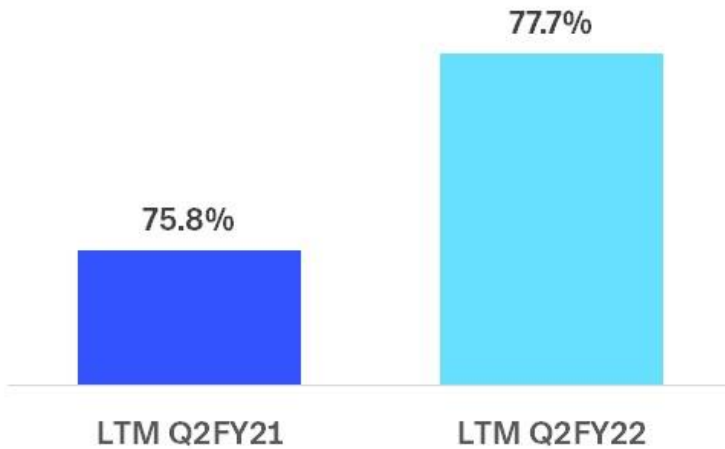
## Billed & Unbilled Deferred Revenue / LTM Sales



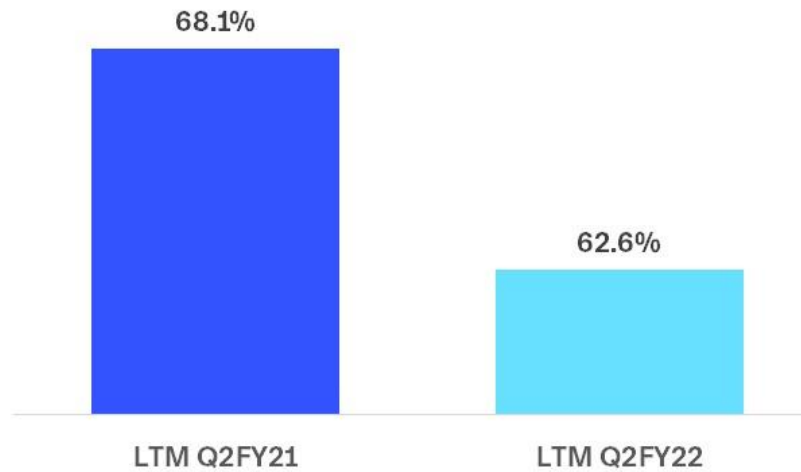
# Flywheel – 3. Compelling Business Model



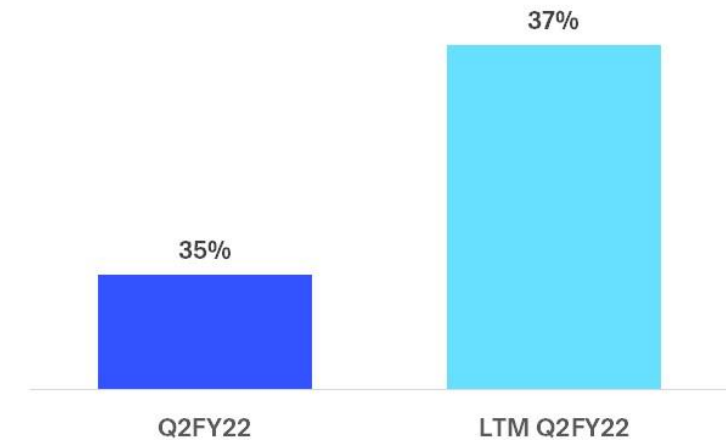
### Gross Margin Percent



### Operating SG&A/Sales Percent



### Change in ADJ EBITDA / Change in Revenue



# Flywheel – 4. Growth in Adj EBITDA & Cash Flow

(In millions and unaudited)



	<u>Q2FY22</u>	<u>Q2FY21</u>	<u>Chg</u>	<u>%</u>	<u>YTD Q2FY22</u>	<u>YTD Q2FY21</u>	<u>Chg</u>	<u>%</u>	<u>LTM Q2FY22</u>	<u>LTM Q2FY21</u>	<u>Chg</u>	<u>%</u>
Sales	\$ 56.6	\$ 48.2	\$ 8.4	17.5%	\$ 117.9	\$ 96.5	\$ 21.4	22.2%	\$ 245.5	\$ 182.6	\$ 63.0	34.5%
Cost of Sales	12.5	10.8	1.7	15.4%	26.1	22.8	3.4	14.9%	54.7	44.2	10.5	23.7%
Gross Profit	44.1	37.3	6.8	18.1%	91.7	73.7	18.0	24.4%	190.9	138.4	52.5	37.9%
Gross Profit %	77.9%	77.5%	41	bps	77.8%	76.4%	140	bps	77.7%	75.8%	194	bps
Operating SG&A	36.1	32.2	3.9	12.0%	73.7	64.9	8.9	13.6%	153.8	124.3	29.5	23.7%
Operating SG&A %	63.7%	66.9%	316	bps	62.6%	67.3%	468	bps	62.6%	68.1%	544	bps
Adjusted EBITDA	\$ 8.0	\$ 5.1	\$ 2.9	57.0%	\$ 18.0	\$ 8.8	\$ 9.1	103.4%	\$ 37.1	\$ 14.1	\$ 23.0	162.9%

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.

# Flywheel – 4. Growth in Adj EBITDA & Cash Flow

(In thousands and unaudited)



	Two Quarters Ended	
	February 28, 2022	February 28, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 5,690	\$ (938)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,246	5,746
Amortization of capitalized curriculum costs	1,620	1,750
Stock-based compensation	3,618	2,757
Deferred income taxes	1,277	(198)
Change in fair value of contingent consideration liabilities	48	46
Amortization of right-of-use operating lease assets	475	509
Net change in working capital	5,264	12,240
Net cash provided by operating activities	<u>23,238</u>	<u>21,912</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,264)	(877)
Curriculum development costs	(774)	(1,292)
Net cash used for investing activities	<u>(2,038)</u>	<u>(2,169)</u>
Free Cash Flow	<u>\$ 21,200</u>	<u>\$ 19,743</u>

# Flywheel – 5. Investments in the Business



**ROBERT GREGORY**  
PARTNERS

 FranklinCovey | A FRANKLINCOVEY COMPANY

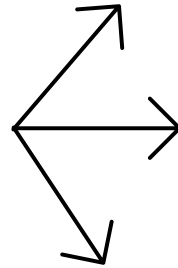


**strive**



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# Guidance



**FY 2022**

Reported Adj EBITDA:

**\$38M – \$39M**

# Targets



**FY 2023**

Reported Adj EBITDA:

**\$45M**

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**FY 2024**

Reported Adj EBITDA:

**\$55M**

James Williams  
Managing Client Partner



# Appendix

# FranklinCovey - Who We Are



We are the most trusted leadership company in the world.

## The nature of the opportunities we help clients address:

We help organizations achieve results that requires collective behavior change.



## The best-performing organizations get four things right:

1. Develop exceptional leaders at every level;
2. Instill habits of effectiveness in every individual;
3. Build an inclusive, high-trust culture; and
4. Use a common execution framework to pursue their most important goals.



## The focus and integrated nature of our solutions:

Everything we do is designed to help our clients succeed in these four key areas.

## Our key solutions:

The All Access Pass and the *Leader in Me* Membership combine:

World-class content

A team of experts

Key metrics

A dynamic platform



# FranklinCovey - All Access Pass Value Proposition



- Access to Franklin Covey's entire collection of best-in-class content.
- Incredible flexibility through an almost limitless combination of delivery modalities.
- Accessed globally in 21 major languages.
- Includes an implementation specialist and a variety of add-on services to drive impact.
- All at a price that is equivalent to what is provided by single-modality providers.

# Other Information



## **OTHER INCOME STATEMENT INFORMATION:**

- Depreciation: \$6.2M in FY2021, expected to total approximately \$5.3M in FY2022.
- Amortization: \$5.0M in FY2021, expected to total approximately \$5.3M in FY2022.
- Net Interest and Discount: \$2.0M in FY2021, expected to total approximately \$1.8M in FY2022.
- Share-based Compensation, Impaired Assets, Restructuring, Accrued Earnout and Other totaling \$8.7M in FY2021; expected to total approximately \$9.6M in FY2022.
- Effective Tax Rate: Our normalized 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 FY22 effective rate.

## **OTHER INFORMATION:**

- Capital Expenditures: \$1.6M in FY2021, expected to total approximately \$5.0M to \$6.0M in FY2022.
- Capitalized Curriculum excluding acquired content: \$2.5M in FY2021, expected to total approximately \$5.0M to \$6.0M in FY2022, including localization of AAP content, AAP content development, and Education content development.
- Share Count: 14,331K shares outstanding as of February 28, 2022. 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.
- Number of salespersons: 265 on February 28, 2022.
- Impact of FX in Q2 of FY22: decrease to sales \$0.4M in Q2 of FY2022; decrease to Adjusted EBITDA \$0.1M in Q2 of FY2022.

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

# FranklinCovey – Financial Summary

(in millions and unaudited)



	<u>Q2FY22</u>	<u>Q2FY21</u>	<u>Chg</u>	<u>%</u>	<u>YTD Q2FY22</u>	<u>YTD Q2FY21</u>	<u>Chg</u>	<u>%</u>	<u>LTM Q2FY22</u>	<u>LTM Q2FY21</u>	<u>Chg</u>	<u>%</u>
Sales	\$ 56.6	\$ 48.2	\$ 8.4	17.5%	\$ 117.9	\$ 96.5	\$ 21.4	22.2%	\$ 245.5	\$ 182.6	\$ 63.0	34.5%
Cost of Sales	12.5	10.8	1.7	15.4%	26.1	22.8	3.4	14.9%	54.7	44.2	10.5	23.7%
Gross Profit	44.1	37.3	6.8	18.1%	91.7	73.7	18.0	24.4%	190.9	138.4	52.5	37.9%
Gross Profit %	77.9%	77.5%	41	bps	77.8%	76.4%	140	bps	77.7%	75.8%	194	bps
Operating SG&A	36.1	32.2	3.9	12.0%	73.7	64.9	8.9	13.6%	153.8	124.3	29.5	23.7%
Operating SG&A %	63.7%	66.9%	316	bps	62.6%	67.3%	468	bps	62.6%	68.1%	544	bps
Adjusted EBITDA	\$ 8.0	\$ 5.1	\$ 2.9	57.0%	\$ 18.0	\$ 8.8	\$ 9.1	103.4%	\$ 37.1	\$ 14.1	\$ 23.0	162.9%

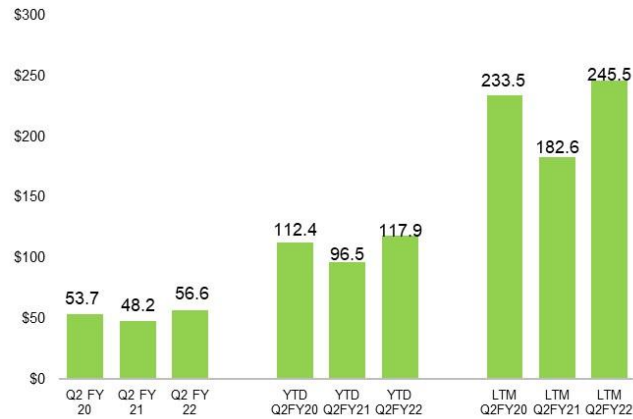
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

# FranklinCovey – Financial Summary

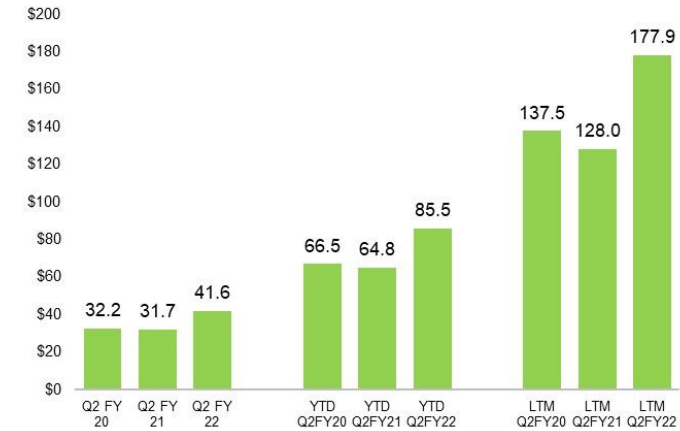
(in millions and unaudited)



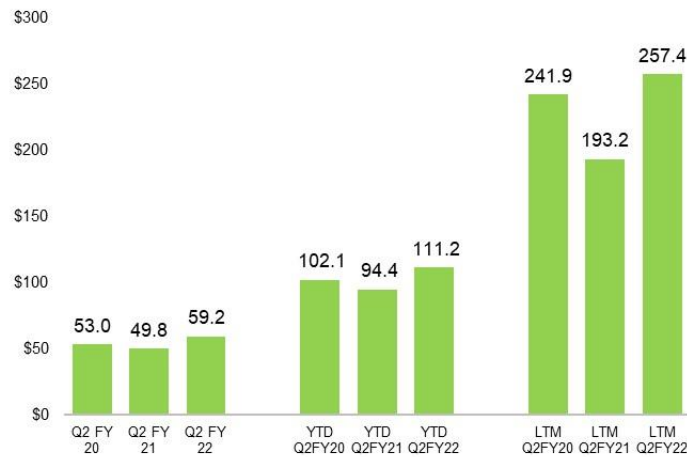
## REVENUE



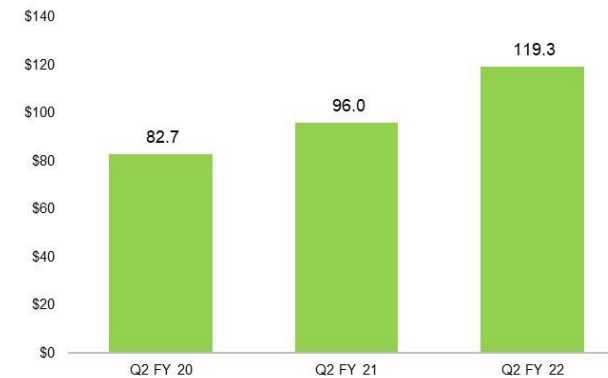
## SUBSCRIPTION AND SUBSCRIPTION SALES



## INVOICED



## DEFERRED & UNBILLED DEFERRED REVENUE

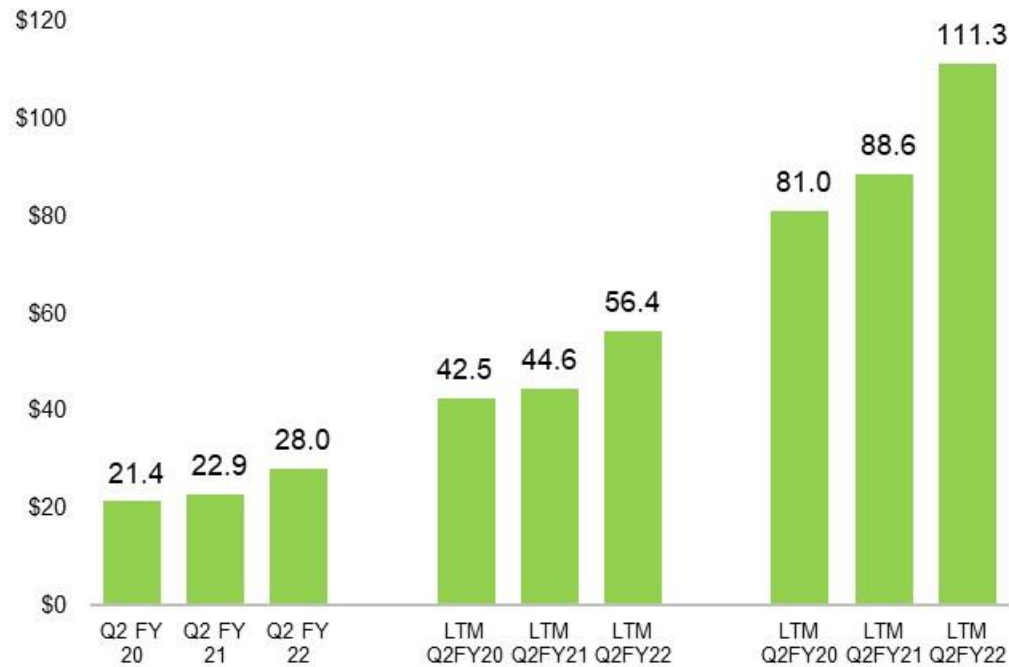


# Trends in the Business

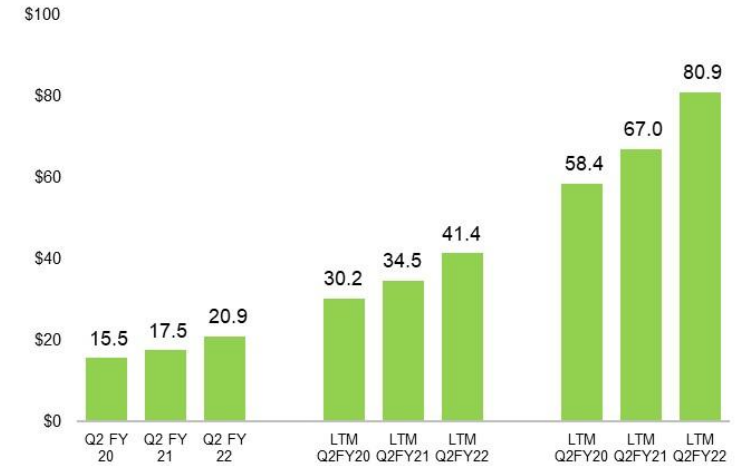
(in millions and unaudited)



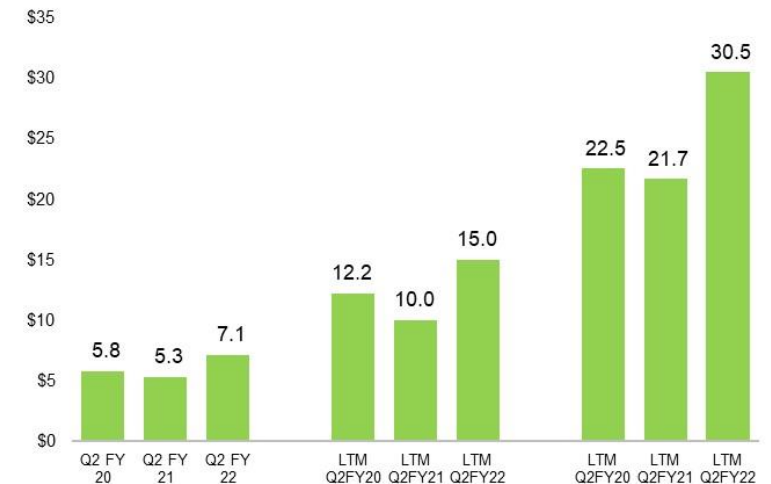
## SUBSCRIPTION REVENUE



## AAP SUBSCRIPTION REVENUE

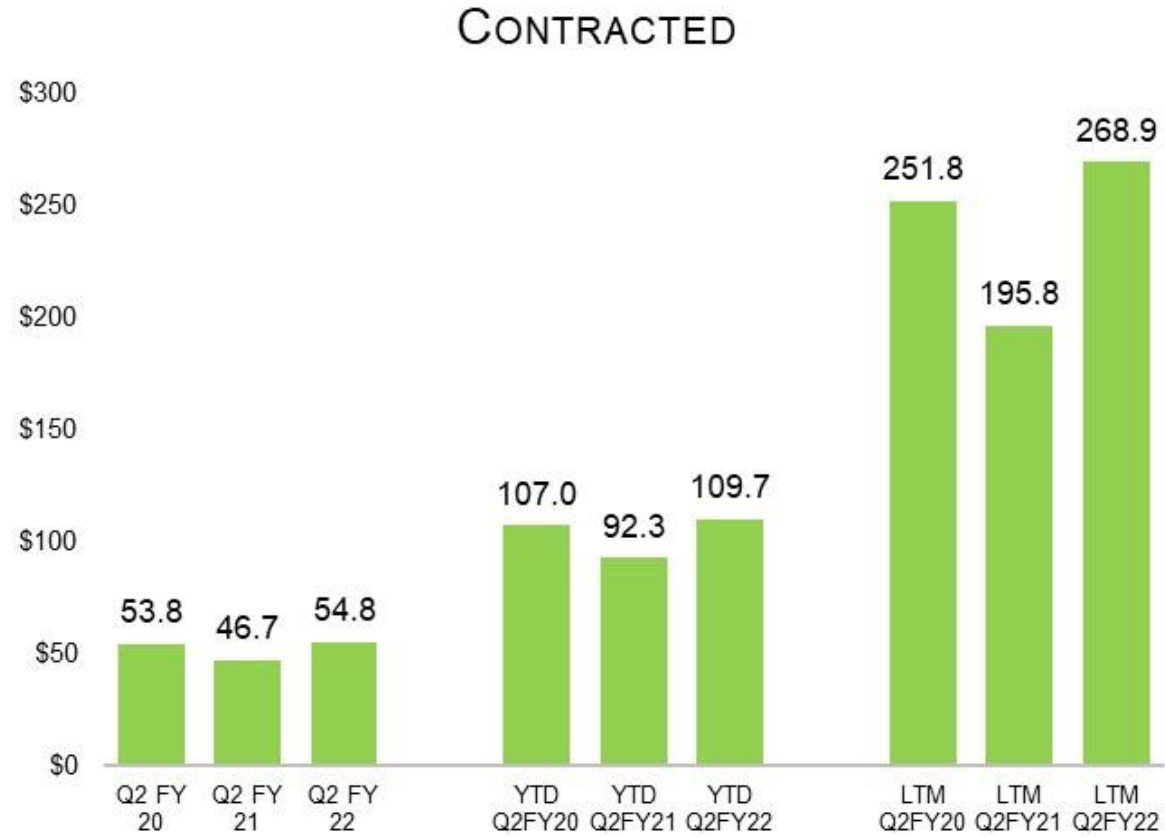


## EDUCATION SUBSCRIPTION REVENUE



# Contracted

(in millions and unaudited)



# FranklinCovey – Contracts Signed

(in millions and unaudited)



Second Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY22	FY21	Change	%	FY22	FY21	Change	%	FY22	FY21	Change	FY22	FY21	Change	%
Sales	44.1	38.2	5.9	15.5%	11.1	8.5	2.6	30.5%	1.4	1.5	(0.1)	56.6	48.2	8.4	17.5%
Change in Deferred Subscription Revenue	7.6	5.7	1.8	32.1%	(5.0)	(4.1)	(0.8)	20.3%	(0.0)	(0.0)	0.0	2.6	1.6	1.0	62.5%
Invoiced Amounts	51.7	43.9	7.8	17.7%	6.1	4.3	1.7	40.3%	1.4	1.5	(0.1)	59.2	49.8	9.4	19.0%
Change in Unbilled Deferred Revenue	(4.3)	(3.1)	(1.3)		(0.1)	0.0	(0.1)		0.0	(0.0)	0.0	(4.4)	(3.0)	(1.4)	
Total Contracts Signed	47.4	40.9	6.5	15.9%	6.0	4.4	1.6	37.2%	1.4	1.5	(0.1)	54.8	46.7	8.1	17.2%

LTM Q2 FY 22	Enterprise Division				Education Division				Corporate			Total Company			
	FY22	FY21	Change	%	FY22	FY21	Change	%	FY22	FY21	Change	FY22	FY21	Change	%
Sales	183.3	139.2	44.1	31.7%	55.7	37.4	18.3	48.9%	6.5	5.9	0.6	245.5	182.6	63.0	34.5%
Change in Deferred Subscription Revenue	8.1	6.6	1.5	22.1%	3.8	4.0	(0.1)	-3.7%	(0.1)	(0.0)	(0.1)	11.8	10.6	1.3	11.9%
Invoiced Amounts	191.4	145.8	45.6	31.2%	59.5	41.4	18.1	43.8%	6.5	5.9	0.5	257.4	193.2	64.2	33.2%
Change in Unbilled Deferred Revenue	11.4	1.7	9.7		0.1	0.9	(0.8)		(0.0)	0.0	(0.0)	11.5	2.6	8.9	
Total Contracts Signed	202.8	147.5	55.3	37.5%	59.6	42.3	17.3	40.9%	6.5	5.9	0.5	268.9	195.8	73.1	37.3%

Second Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY22	FY21	Change	%	FY22	FY21	Change	%	FY22	FY21	Change	FY22	FY21	Change	%
Deferred Subscription Revenue Balance	53.3	46.3	7.0	15.1%	17.1	12.3	4.8	39.4%	-	-	-	70.4	58.5	11.8	20.2%
Unbilled Deferred Revenue Balance	47.7	36.3	11.4	31.5%	1.3	1.2	0.1	9.4%	-	-	-	49.0	37.4	11.5	30.8%
Total	101.0	82.5	18.4	22.3%	18.4	13.4	4.9	36.8%	-	-	-	119.3	96.0	23.4	24.4%

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.



# Sales Information

(in millions and unaudited)



	FY2018	FY2019	FY2020					FY2020	FY 2021					FY 2022	
			Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4	FY2021	Q1	Q2	
<b>Sales</b>															
<b>Reported Net Sales</b>	209.8	225.4	58.6	53.7	37.1	49.0	198.5	48.3	48.2	58.7	68.9	224.2	61.3	56.6	
Change in Deferred Revenue	11.4	8.3	(9.5)	(0.7)	(4.1)	16.7	2.4	(3.6)	1.6	(3.2)	21.7	16.5	(9.3)	2.6	
<b>Invoiced Amount</b>	221.2	233.7	49.1	53.0	33.1	65.7	200.8	44.7	49.8	55.5	90.7	240.6	52.0	59.2	
<b>Balance Sheet</b>															
<b>Roll-Forward of Deferred Subscription Revenue</b>															
Beginning Balance (deferred revenue)	36.4	48.4	58.2	48.7	48.0	43.9	58.2	60.6	57.0	58.5	55.3	60.6	77.0	67.8	
Subscription Invoiced	69.7	82.8	11.6	20.6	18.2	38.5	88.9	18.0	24.4	22.7	50.8	115.9	19.1	30.6	
Amounts Recorded to Revenue	(58.3)	(74.5)	(21.1)	(21.3)	(22.3)	(21.8)	(86.5)	(21.7)	(22.9)	(25.9)	(29.1)	(99.5)	(28.4)	(28.0)	
Change in Deferred Revenue	11.4	8.3	(9.5)	(0.7)	(4.1)	16.7	2.4	(3.6)	1.6	(3.2)	21.7	16.4	(9.3)	2.6	
FX, 606, and Other Changes	0.6	1.5	-	-	-	-	-	-	-	-	-	-	-	-	
Ending Balance (Def Subscription Revenue)	48.4	58.2	48.7	48.0	43.9	60.6	60.6	57.0	58.5	55.3	77.0	77.0	67.8	70.4	
<b>Unbilled Deferred Contracts</b>															
Beginning Balance (off balance sheet)	17.2	24.5	29.9	34.0	34.8	33.4	29.9	39.6	40.5	37.4	41.3	39.6	50.4	53.4	
New Unbilled Contracts	20.2	22.3	7.0	8.5	4.7	13.2	33.5	5.8	5.3	9.0	17.2	37.3	8.6	9.4	
Amounts Invoiced	(12.9)	(16.9)	(3.0)	(7.7)	(6.1)	(7.1)	(23.9)	(5.0)	(8.3)	(5.2)	(8.1)	(26.5)	(5.6)	(13.8)	
Ending Balance (off balance sheet)	24.5	29.9	34.0	34.8	33.4	39.6	39.6	40.5	37.4	41.3	50.4	50.4	53.4	49.0	
<b>Breakout of Deferred Sales (above)</b>															
<b>Subscription Sales (Invoiced Amounts)</b>															
All Access Pass Subscriptions	48.8	58.3	10.3	19.4	11.8	22.1	63.6	15.9	22.5	16.9	25.8	81.0	16.4	28.2	
Education Subscription Contracts	19.2	21.9	1.2	0.7	6.1	16.2	24.2	1.7	1.4	5.6	24.0	32.7	2.5	2.1	
Other	1.7	2.7	0.2	0.5	0.3	0.2	1.2	0.4	0.6	0.2	1.0	2.2	0.2	0.3	
Total Additions to balance sheet	69.7	82.8	11.6	20.6	18.2	38.5	88.9	18.0	24.4	22.7	50.8	115.9	19.1	30.6	

**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 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 sales over the course of the contract and Consulting which is recognized as sales upon delivery. These combined performance obligations are contracted, invoiced and paid together. See Deferred Subscription Revenue in the Definitions

# Reconciliation of Net Income (Loss) to Adjusted EBITDA

(in thousands and unaudited)



	Quarter Ended		Two Quarters Ended	
	February 28, 2022	February 28, 2021	February 28, 2022	February 28, 2021
Reconciliation of net income (loss) to Adjusted EBITDA:				
Net income (loss)	\$ 1,878	\$ (46)	\$ 5,690	\$ (938)
Adjustments:				
Interest expense, net	411	524	842	1,068
Income tax provision (benefit)	1,228	366	2,530	544
Amortization	1,346	1,133	2,776	2,265
Depreciation	1,190	1,740	2,470	3,481
Stock-based compensation	1,969	1,599	3,618	2,757
Increase (decrease) in the fair value of contingent consideration liabilities	20	(16)	48	46
Government COVID assistance	-	(27)	-	(234)
Gain from insurance settlement	-	(150)	-	(150)
<b>Adjusted EBITDA</b>	<b>\$ 8,042</b>	<b>\$ 5,123</b>	<b>\$ 17,974</b>	<b>\$ 8,839</b>
Adjusted EBITDA margin	14.2%	10.6%	15.3%	9.2%

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, 2022	February 28, 2021	February 28, 2022	February 28, 2021
<b>Sales by Division/Segment:</b>				
Enterprise Division:				
Direct offices	\$ 41,502	\$ 35,738	\$ 86,621	\$ 72,481
International licensees	2,588	2,429	5,586	5,026
	44,090	38,167	92,207	77,507
Education Division	11,066	8,478	22,763	15,975
Corporate and other	1,443	1,517	2,889	3,004
<b>Consolidated</b>	<b>\$ 56,599</b>	<b>\$ 48,162</b>	<b>\$ 117,859</b>	<b>\$ 96,486</b>
<b>Gross Profit by Division/Segment:</b>				
Enterprise Division:				
Direct offices	\$ 33,948	\$ 29,084	\$ 70,150	\$ 58,523
International licensees	2,304	2,100	5,005	4,385
	36,252	31,184	75,155	62,908
Education Division	7,098	5,344	14,959	9,331
Corporate and other	764	812	1,599	1,487
<b>Consolidated</b>	<b>\$ 44,114</b>	<b>\$ 37,340</b>	<b>\$ 91,713</b>	<b>\$ 73,726</b>
<b>Adjusted EBITDA by Division/Segment:</b>				
Enterprise Division:				
Direct offices	\$ 8,732	\$ 6,131	\$ 18,686	\$ 12,827
International licensees	1,444	1,505	3,115	2,795
	10,176	7,636	21,801	15,622
Education Division	(324)	(858)	(89)	(3,142)
Corporate and other	(1,810)	(1,655)	(3,738)	(3,641)
<b>Consolidated</b>	<b>\$ 8,042</b>	<b>\$ 5,123</b>	<b>\$ 17,974</b>	<b>\$ 8,839</b>

# Condensed Consolidated Balance Sheets

(in thousands and unaudited)



	February 28, 2022	August 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 61,062	\$ 47,417
Accounts receivable, less allowance for doubtful accounts of \$4,504 and \$4,643	47,726	70,680
Inventories	2,472	2,496
Prepaid expenses and other current assets	16,105	16,115
<b>Total current assets</b>	<b>127,365</b>	<b>136,708</b>
Property and equipment, net	10,032	11,525
Intangible assets, net	47,325	50,097
Goodwill	31,220	31,220
Deferred income tax assets	3,658	4,951
Other long-term assets	13,864	15,153
	<b>\$ 233,464</b>	<b>\$ 249,654</b>

	February 28, 2022	August 31, 2021
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Current portion of notes payable	\$ 5,835	\$ 5,835
Current portion of financing obligation	3,040	2,887
Accounts payable	6,644	6,948
Deferred subscription revenue	68,583	74,772
Other deferred revenue	12,349	11,117
Accrued liabilities	23,302	34,980
<b>Total current liabilities</b>	<b>119,753</b>	<b>136,539</b>
Notes payable, less current portion	10,543	12,975
Financing obligation, less current portion	9,598	11,161
Other liabilities	7,067	8,741
Deferred income tax liabilities	375	375
<b>Total liabilities</b>	<b>147,336</b>	<b>169,791</b>

Shareholders' equity:		
Common stock	1,353	1,353
Additional paid-in capital	215,348	214,888
Retained earnings	69,281	63,591
Accumulated other comprehensive income	533	709
Treasury stock at cost, 12,730 and 12,889 shares	(200,387)	(200,678)
<b>Total shareholders' equity</b>	<b>86,128</b>	<b>79,863</b>
	<b>\$ 233,464</b>	<b>\$ 249,654</b>

# Condensed Consolidated Statements of Operations

(in thousands and unaudited)



	Quarter Ended		Two Quarters Ended	
	February 28, 2022	February 28, 2021	February 28, 2022	February 28, 2021
Net sales	\$ 56,599	\$ 48,162	\$ 117,859	\$ 96,486
Cost of sales	12,485	10,822	26,146	22,760
Gross profit	44,114	37,340	91,713	73,726
Selling, general, and administrative	38,061	33,623	77,405	67,306
Depreciation	1,190	1,740	2,470	3,481
Amortization	1,346	1,133	2,776	2,265
<b>Income from operations</b>	<b>3,517</b>	<b>844</b>	<b>9,062</b>	<b>674</b>
Interest expense, net	(411)	(524)	(842)	(1,068)
<b>Income (loss) before income taxes</b>	<b>3,106</b>	<b>320</b>	<b>8,220</b>	<b>(394)</b>
Income tax provision	(1,228)	(366)	(2,530)	(544)
<b>Net income (loss)</b>	<b>\$ 1,878</b>	<b>\$ (46)</b>	<b>\$ 5,690</b>	<b>\$ (938)</b>
Net income (loss) per common share:				
Basic and diluted	\$ 0.13	\$ (0.00)	\$ 0.40	\$ (0.07)
Weighted average common shares:				
Basic	14,312	14,082	14,279	14,029
Diluted	14,333	14,082	14,323	14,029
Other data:				
Adjusted EBITDA <sup>(1)</sup>	\$ 8,042	\$ 5,123	\$ 17,974	\$ 8,839

(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 Income (Loss) to Adjusted EBITDA.

# Enterprise Division – Financial Summary

(in millions and unaudited)



	<u>Q2FY22</u>	<u>Q2FY21</u>	<u>Chg</u>	<u>%</u>	<u>YTD Q2FY22</u>	<u>YTD Q2FY21</u>	<u>Chg</u>	<u>%</u>	<u>LTM Q2FY22</u>	<u>LTM Q2FY21</u>	<u>Chg</u>	<u>%</u>
Sales	\$ 44.1	\$ 38.2	\$ 5.9	15.5%	\$ 92.2	\$ 77.5	\$ 14.7	19.0%	\$ 183.3	\$ 139.2	\$ 44.1	31.7%
Cost of Sales	7.8	7.0	0.9	12.2%	17.1	14.6	2.5	16.8%	34.0	27.0	7.0	25.8%
Gross Profit	36.3	31.2	5.1	16.3%	75.2	62.9	12.2	19.5%	149.4	112.3	37.1	33.1%
Gross Profit %	82.2%	81.7%	52	bps	81.5%	81.2%	34	bps	81.5%	80.6%	86	bps
Operating SG&A	26.1	23.5	2.5	10.7%	53.4	47.3	6.1	12.8%	111.7	90.4	21.3	23.5%
Operating SG&A %	59.1%	61.7%	256	bps	57.9%	61.0%	315	bps	60.9%	64.9%	402	bps
Adjusted EBITDA	\$ 10.2	\$ 7.6	\$ 2.5	33.3%	\$ 21.8	\$ 15.6	\$ 6.2	39.6%	\$ 37.7	\$ 21.9	\$ 15.9	72.6%

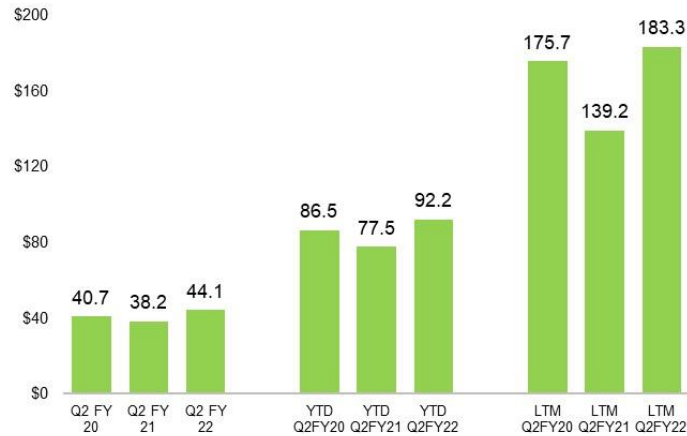
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

# Enterprise Division – Financial Summary

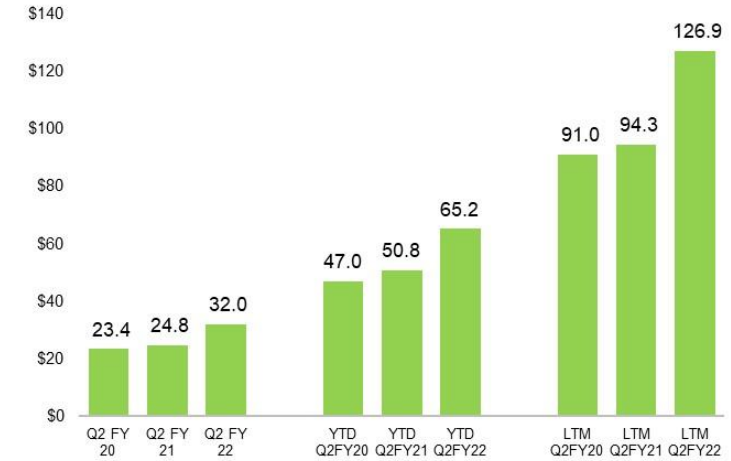
(in millions and unaudited)



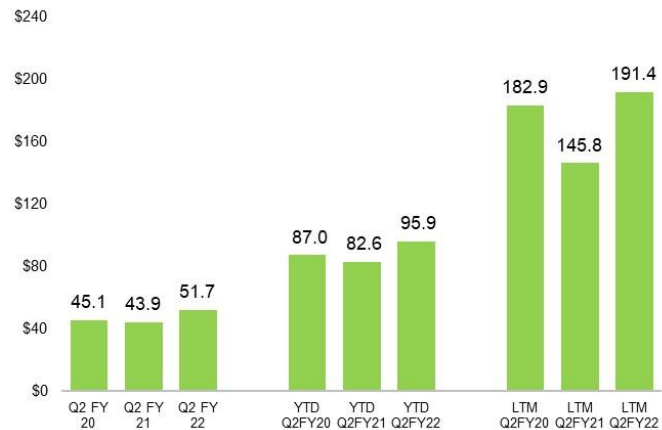
### SALES



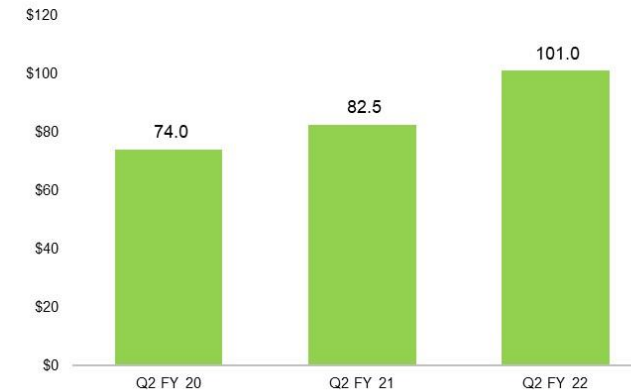
### AAP AND SUBSCRIPTION SERVICES



### INVOICED



### DEFERRED & UNBILLED DEFERRED REVENUE





# Enterprise Division – APP & Related Revenue

(in millions and unaudited)



	LTM Q2FY22	LTM Q2FY21	LTM Q2FY20
AAP Sales	\$80.9	\$67.0	\$58.4
AAP Add on Sales*	46.0	27.4	32.5
<b>Total AAP and Related</b>	<b>126.9</b>	<b>94.3</b>	<b>91.0</b>
<b>Percent of AAP and Related Sales to Total Enterprise Sales</b>	<b>69%</b>	<b>68%</b>	<b>52%</b>
Legacy Sales	38.0	30.7	62.0
International licensees	9.6	7.1	12.7
Other Sales	8.9	7.2	10.0
<b>Total Enterprise Sales</b>	<b>\$183.3</b>	<b>\$139.2</b>	<b>\$175.7</b>

	LTM Q2FY22	LTM Q2FY21	LTM Q2FY20
North America Sales	\$130.1	\$101.6	\$113.6
International Direct Office Sales	34.6	23.4	39.4
Other Sales	8.9	7.2	10.0
<b>Total Direct Office Division Sales</b>	<b>173.6</b>	<b>132.2</b>	<b>163.0</b>
International Licensees	9.6	7.1	12.7
<b>Total Enterprise Sales</b>	<b>\$183.3</b>	<b>\$139.2</b>	<b>\$175.7</b>

	Q2FY22	Q1FY22	Q4FY21	Q3FY21	Q2FY21
	\$20.9	\$20.5	\$20.3	\$19.2	\$17.5
	11.2	12.6	11.7	10.5	7.3
	<b>32.0</b>	<b>33.1</b>	<b>32.0</b>	<b>29.7</b>	<b>24.8</b>
	73%	69%	70%	66%	65%
	7.2	9.5	10.4	10.8	9.1
	2.6	3.0	1.6	2.4	2.4
	2.2	2.4	2.0	2.2	1.8
	<b>\$44.1</b>	<b>\$48.1</b>	<b>\$46.0</b>	<b>\$45.1</b>	<b>\$38.2</b>
	Q2FY22	Q1FY22	Q4FY21	Q3FY21	Q2FY21
	\$31.5	\$33.4	\$33.6	\$31.6	\$27.0
	\$7.8	\$9.3	\$8.7	\$8.8	\$7.0
	2.2	2.4	2.0	2.2	1.8
	41.5	45.1	44.4	42.6	35.7
	2.6	3.0	1.6	2.4	2.4
	<b>\$44.1</b>	<b>\$48.1</b>	<b>\$46.0</b>	<b>\$45.1</b>	<b>\$38.2</b>

Note: Beginning in Q1 FY22, the Company reclassified China sales from “Other” to Legacy to reflect the Company’s emphasis to begin selling AAP in China. Prior periods have been restated to be consistent with the presentation. Legacy Sales are the sales in areas where AAP is being offered that are not associated with an AAP sale. If a historical Legacy client purchases an AAP, all future facilitator materials or consulting sales from that client are considered to be AAP related.

# Education Division – Financial Summary

(in millions and unaudited)

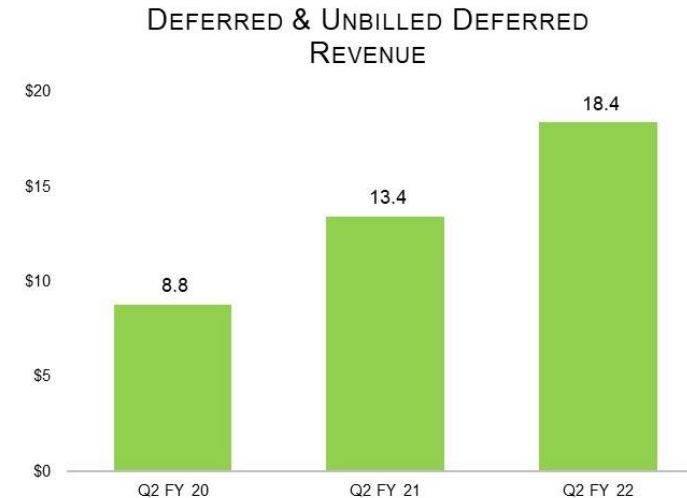
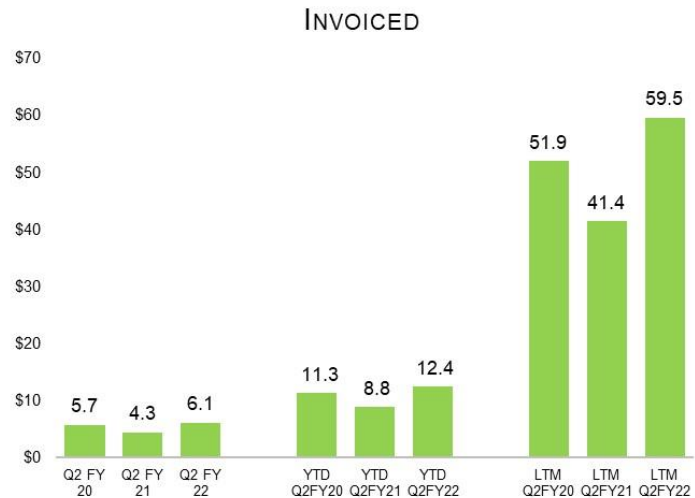
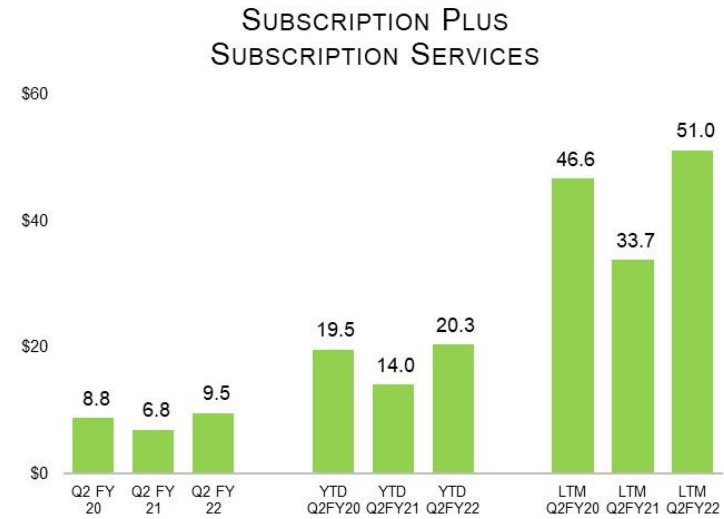
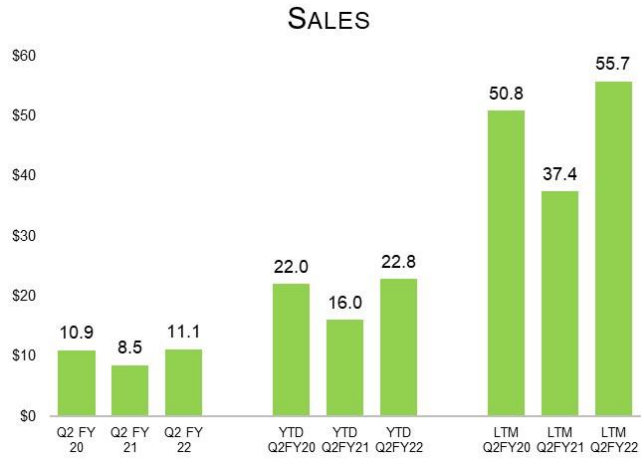


	Q2FY22	Q2FY21	Chg	%	YTD Q2FY22	YTD Q2FY21	Chg	%	LTM Q2FY22	LTM Q2FY21	Chg	%
Sales	\$ 11.1	\$ 8.5	\$ 2.6	30.5%	\$ 22.8	\$ 16.0	\$ 6.8	42.5%	\$ 55.7	\$ 37.4	\$ 18.3	48.9%
Cost of Sales	4.0	3.1	0.8	26.6%	7.8	6.6	1.2	17.5%	17.3	14.1	3.2	22.7%
Gross Profit	7.1	5.3	1.8	32.8%	15.0	9.3	5.6	60.3%	38.4	23.3	15.1	64.7%
Gross Profit %	64.1%	63.0%	110	bps	65.7%	58.4%	731	bps	69.0%	62.3%	663	bps
Operating SG&A	7.4	6.2	1.2	19.7%	15.0	12.5	2.6	20.7%	30.5	24.4	6.2	25.3%
Operating SG&A %	67.1%	73.1%	607	bps	66.1%	78.1%	1,195	bps	54.8%	65.2%	1,033	bps
Adjusted EBITDA	(\$0.3)	(\$0.9)	\$ 0.5	-62.2%	(\$0.1)	(\$3.1)	\$ 3.0	-97.2%	\$ 7.9	(\$1.1)	\$ 8.9	-844.0%

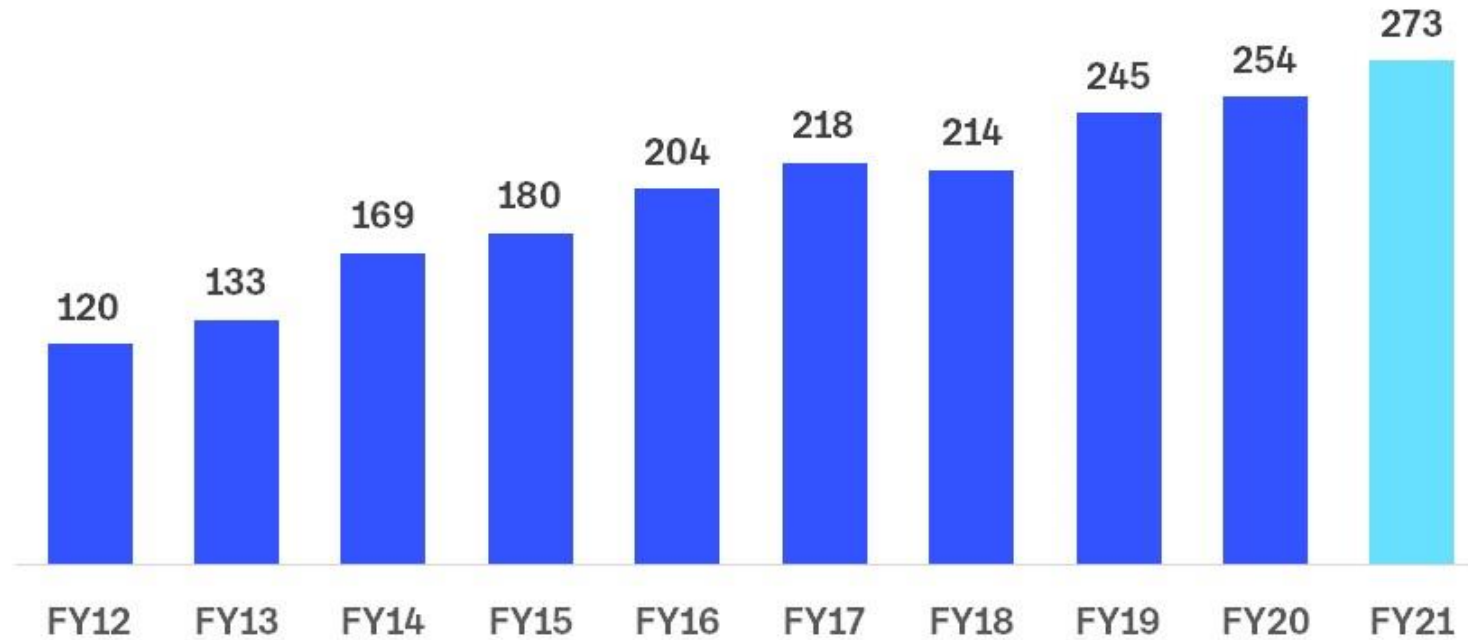
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

# Education Division – Financial Summary

(in millions and unaudited)



# Number of Client Partners



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

# Definitions



- “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.
- “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.
- “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.
- North America revenue consists of revenue generated by our direct offices in the United States and Canada, including government sales.
- 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).

Leena Rinne  
VP, Consulting Strategy & Operations



# Thank You