# Investor Update

## Fourth Quarter / Fiscal Year-End 2020

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 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 From 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 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.

# Momentum Review

## 1A

FranklinCovey
ALL ACCESS PASS®

## 1B

FranklinCovey
ALL ACCESS PASS®
+ COACHING & TRAINING

## 1C

JAPAN & CHINA OFFICES
INTERNAT'L LICENSEES

## 1D

LeaderinMe®

RETENTION

NEW SCHOOLS

# Momentum Review

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ALL ACCESS PASS®

+

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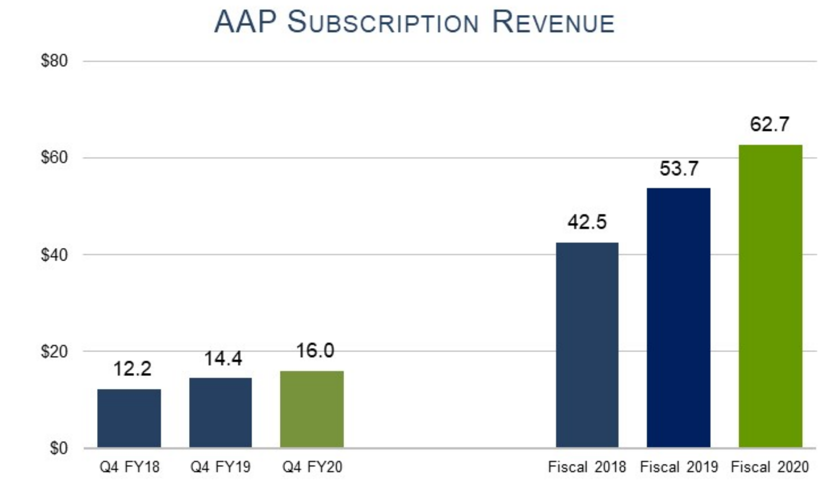
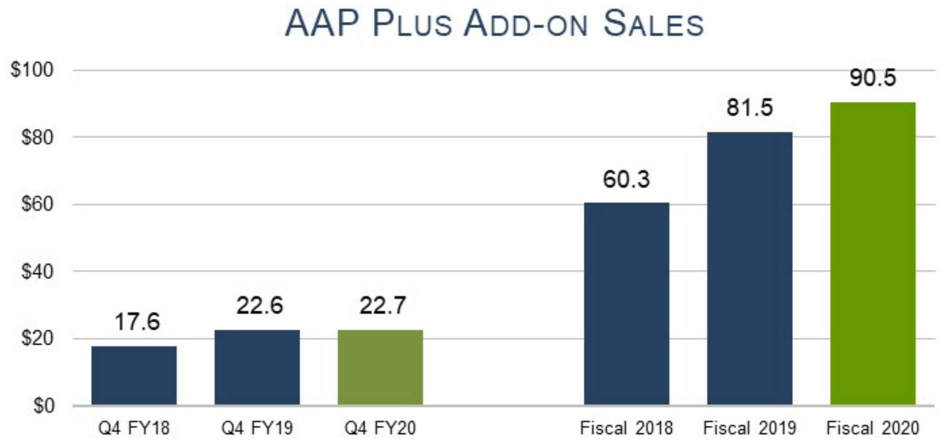
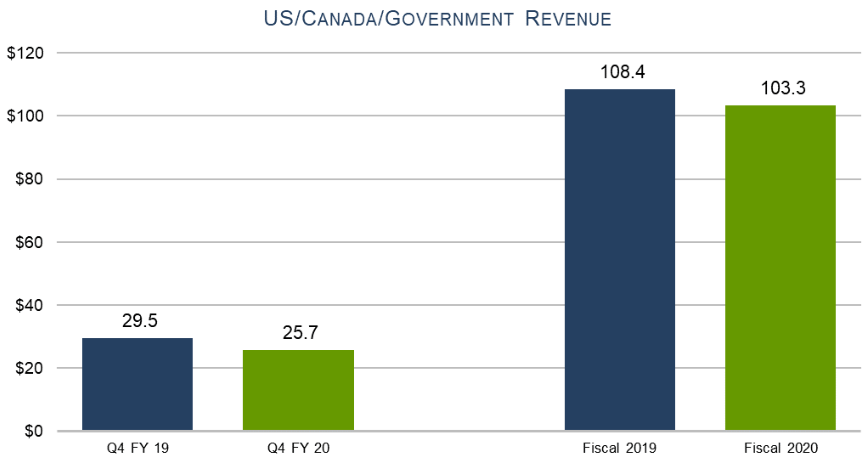
NEW SCHOOLS -

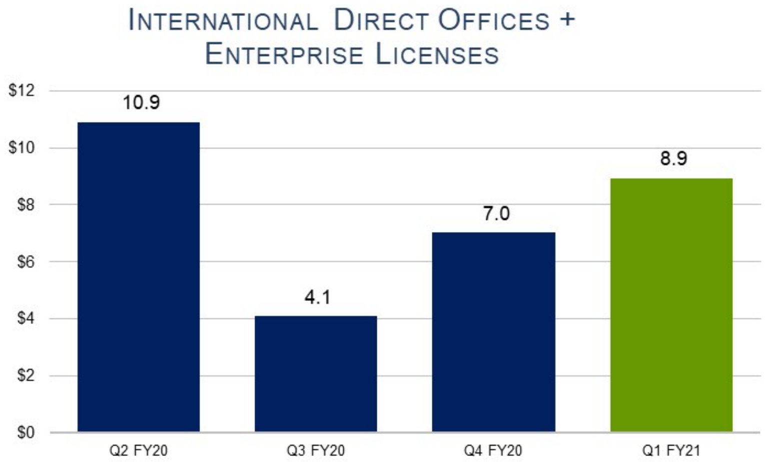
# FranklinCovey: Strong Revenue Momentum

(in millions and unaudited)



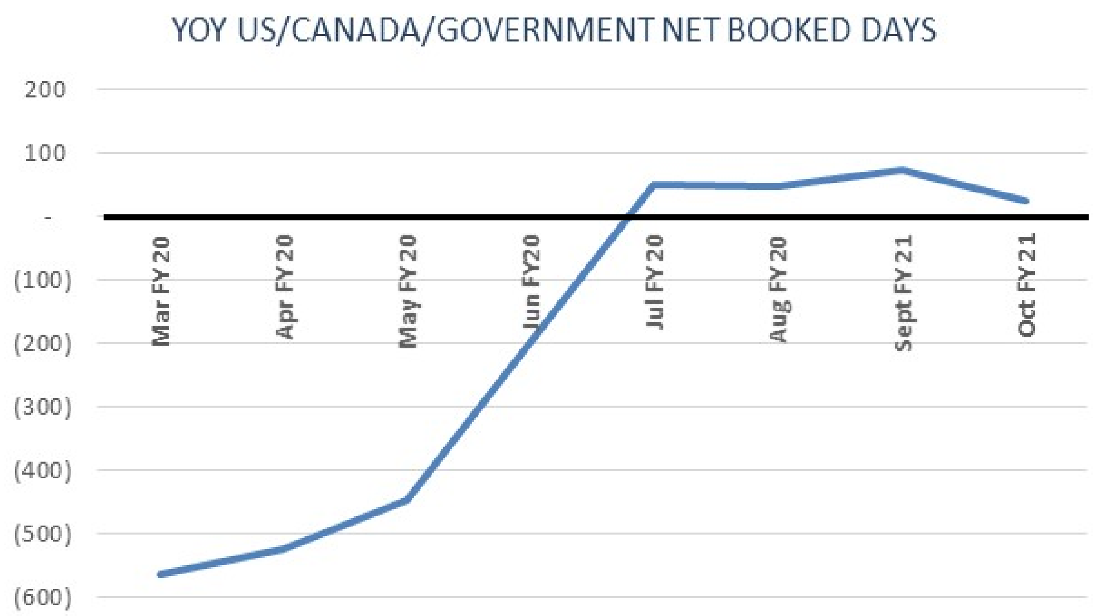



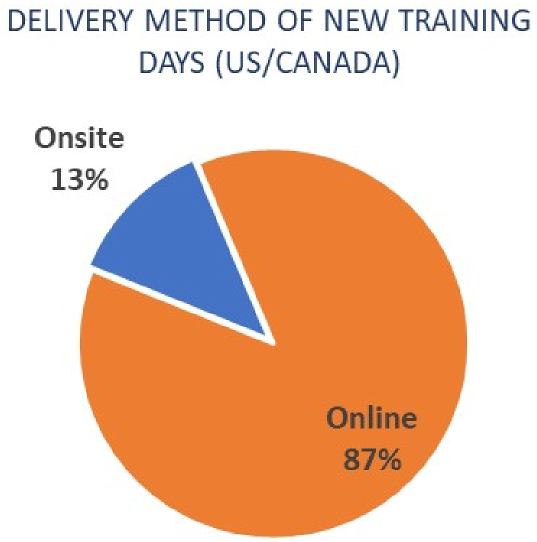



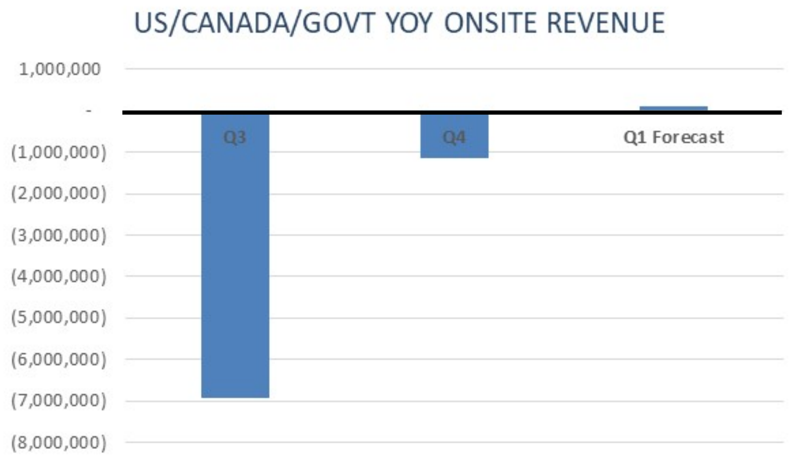



# Enterprise Booking Pace

As a result, our total add-on sales of services in the U.S. and Canada are now tracking at essentially the same level as they were at this same time last year.



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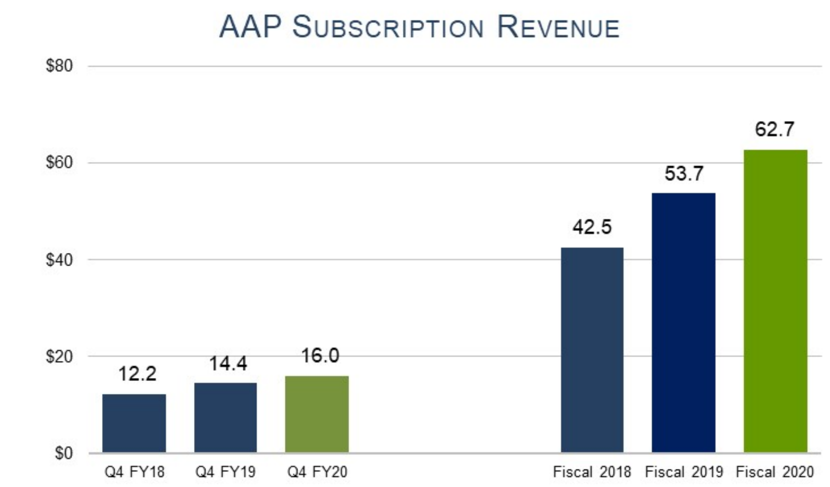


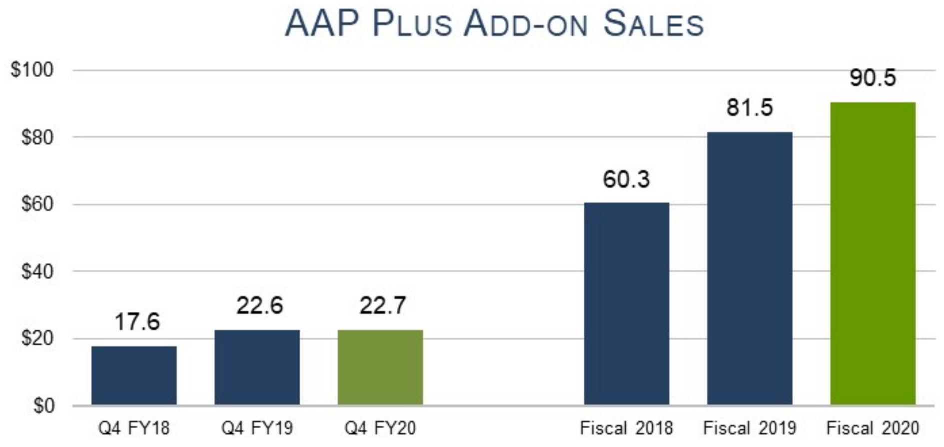


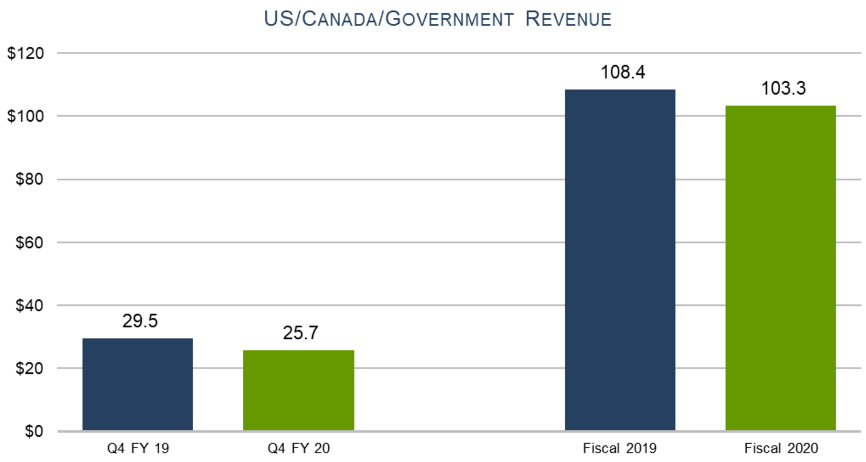


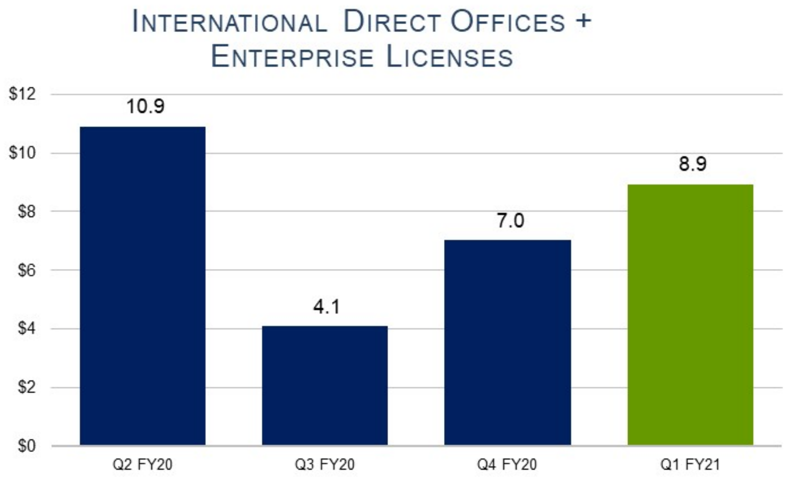

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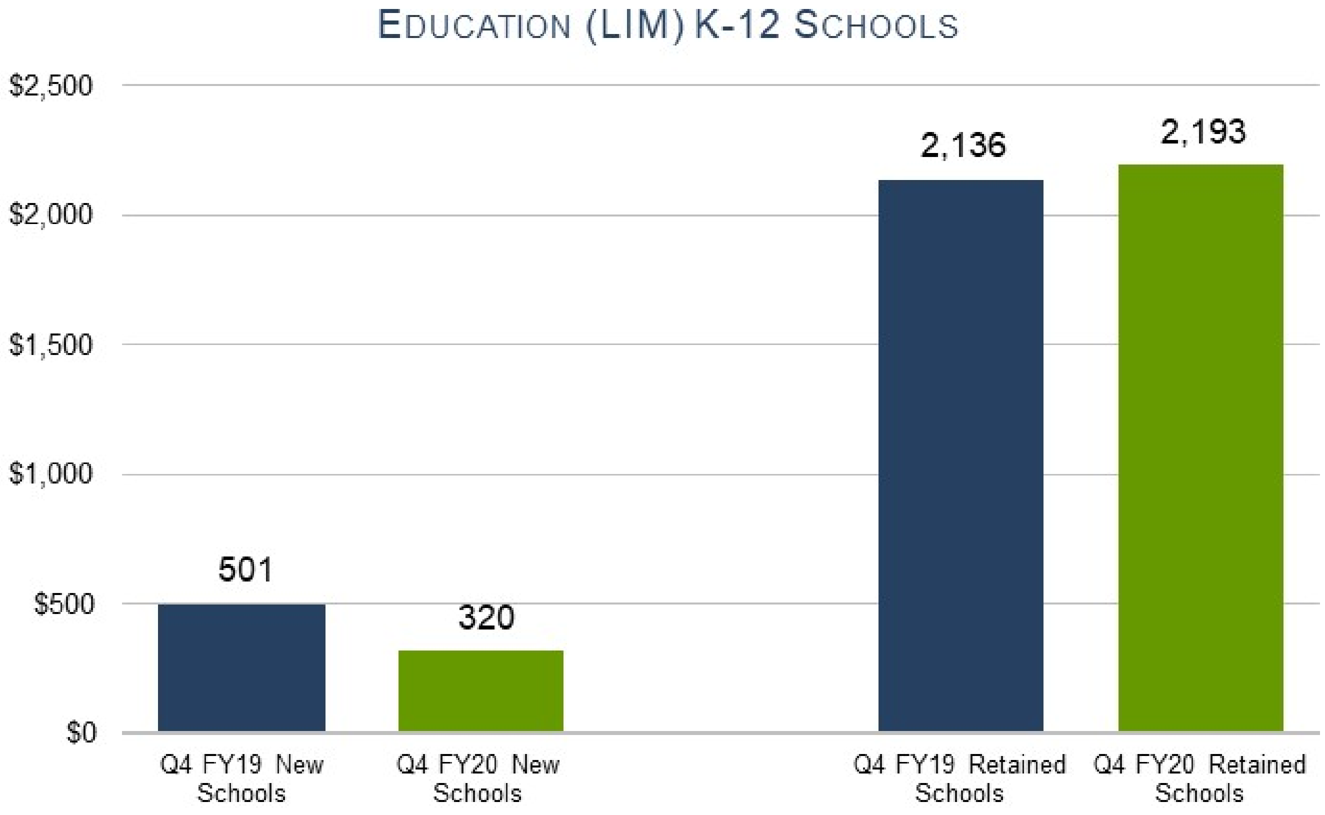
(in millions and unaudited)



# FranklinCovey – Financial Summary

(in millions and unaudited)

| | Q4FY20 | Q4FY19 | Chg | % | Fiscal 2020 | Fiscal 2019 | Chg | % |
|---|---|---|---|---|---|---|---|---|
| **Sales** | **$ 49.0** | **$ 65.2** | **($16.2)** | **-24.8%** | **$ 198.5** | **$ 225.4** | **($26.9)** | **-11.9%** |
| Cost of Sales | 11.1 | 17.7 | (6.5) | -36.9% | 53.1 | 66.0 | (13.0) | -19.6% |
| **Gross Profit** | **37.9** | **47.5** | **(9.6)** | **-20.3%** | **145.4** | **159.3** | **(13.9)** | **-8.8%** |
| Gross Profit % | 77.3% | 72.9% | 437 | bps | 73.3% | 70.7% | 256 | bps |
| Operating SG&A | 28.9 | 34.1 | (5.2) | -15.1% | 131.1 | 138.7 | (7.6) | -5.5% |
| Operating SG&A % | 59.1% | 52.3% | (675) | bps | 66.1% | 61.6% | (450) | bps |
| **Adjusted EBITDA** | **$ 8.9** | **$ 13.4** | **($4.5)** | **-33.5%** | **$ 14.3** | **$ 20.6** | **($6.3)** | **-30.7%** |

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.

# Net Cash Generated as defined below

(in thousands and unaudited)

| | Current Quarter | | Full Year | |
|---|---|---|---|---|
| | Q4 FY20 | Q4 FY19 | FY20 | FY19 |
| Reported Adjusted EBITDA | $ 8,910 | $ 13,402 | $ 14,285 | $ 20,606 |
| Adjustments | | | | |
| Change in Deferred Revenue (related to subscription sales) | 16,672 | 18,259 | 2,389 | 8,299 |
| Costs deferred with Deferred Revenue | (2,331) | (3,050) | (162) | (2,419) |
| Amortization of capitalized development | 908 | 1,003 | 3,949 | 4,954 |
| Purchases of property and equipment | (847) | (1,157) | (4,183) | (4,153) |
| Capitalized curriculum development costs | (1,646) | (867) | (5,082) | (2,688) |
| Cash paid for interest | (529) | (531) | (2,280) | (2,386) |
| Net Cash Generated | $ 21,137 | $ 27,059 | $ 8,916 | $ 22,213 |

Notes:

- 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.

# Cash Flows from Operating Activities

(in thousands and unaudited)

| YEAR ENDED AUGUST 31, | 2020 | 2019 |
|---|---|---|
| *In thousands* | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | $ (9,435) | $ (1,023) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 11,270 | 11,359 |
| Amortization of capitalized curriculum development costs | 3,949 | 4,954 |
| Deferred income taxes | 9,094 | (1,051) |
| Stock-based compensation expense | (573) | 4,789 |
| Change in the fair value of contingent consideration liabilities | (49) | 1,334 |
| Changes in assets and liabilities, net of effect of acquired businesses: | | |
| Decrease (increase) in accounts receivable, net | 17,142 | (1,770) |
| Decrease (increase) in inventories | 552 | (260) |
| Decrease in receivable from related party | 26 | 535 |
| Decrease (increase) in prepaid expenses and other assets | (767) | 32 |
| Increase (decrease) in accounts payable and accrued liabilities | (5,343) | 2,932 |
| Increase in deferred revenue | 2,806 | 8,828 |
| Increase (decrease) in income taxes payable/receivable | (794) | 889 |
| Decrease in other liabilities | (315) | (1,096) |
| **Net cash provided by operating activities** | **27,563** | **30,452** |

# FranklinCovey – Financial Summary

(in millions and unaudited)

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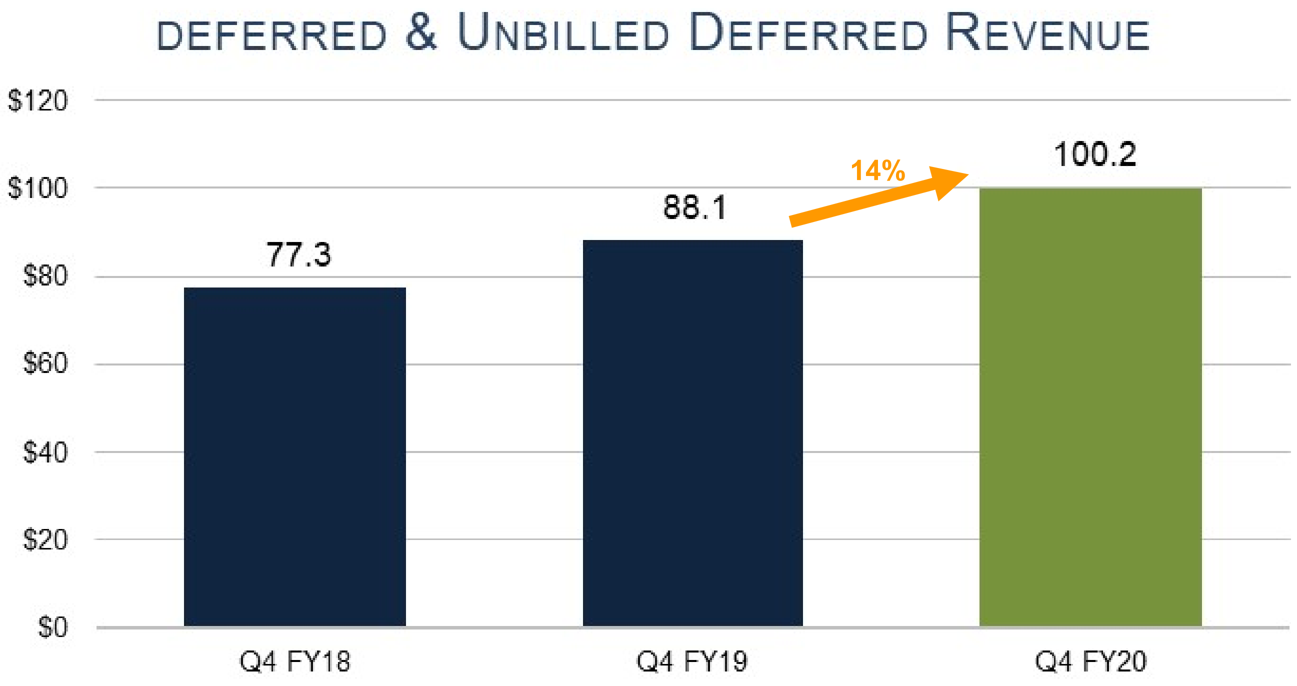
# Subscription Business Strong & Durable

(in millions and unaudited)



# Targets

2020
Reported Adj EBITDA: $14M

2021
Reported Adj EBITDA: $20-22M

2022
Reported Adj EBITDA: $30M

2023
Reported Adj EBITDA: $40M

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

# Three Questions

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WHAT IS THE MOST IMPORTANT DRIVER OF OUR EXPECTED HIGH EBITDA GROWTH/HIGH CASH FLOW GROWTH?

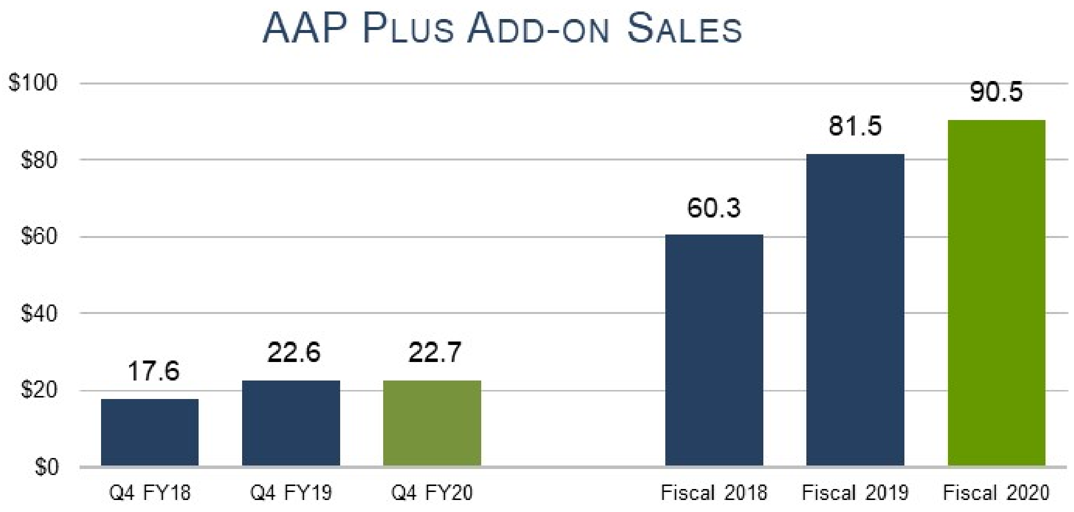
**2**

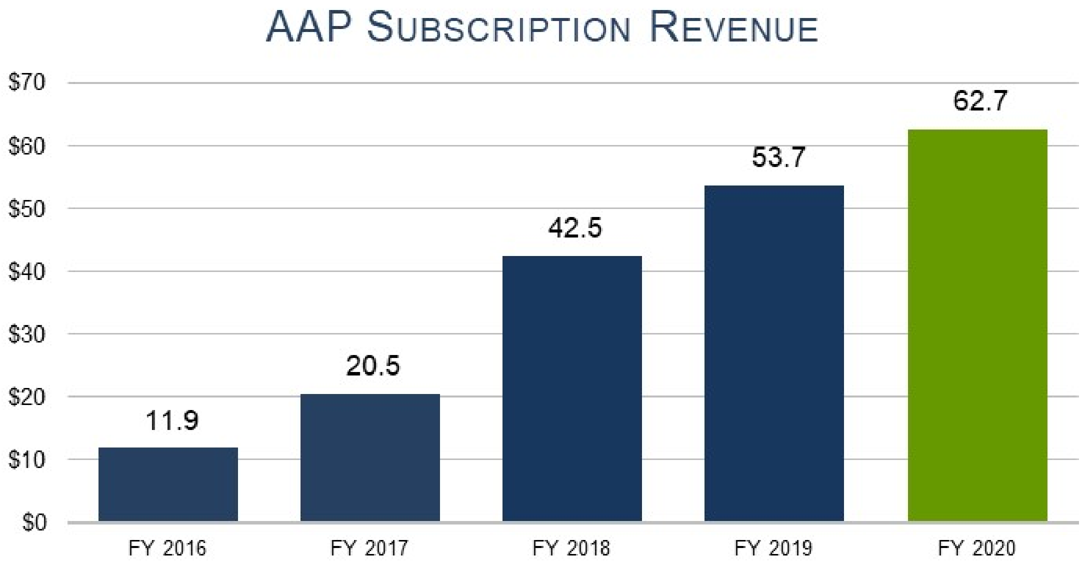
WHAT IS MAKING ALL ACCESS PASS AND RELATED REVENUE SO STRONG, RESILIENT AND DURABLE?

**3**

WHAT IS THE EXPECTED TRAJECTORY AND SPEED OF OUR CLIMB UP THE MOUNTAIN?

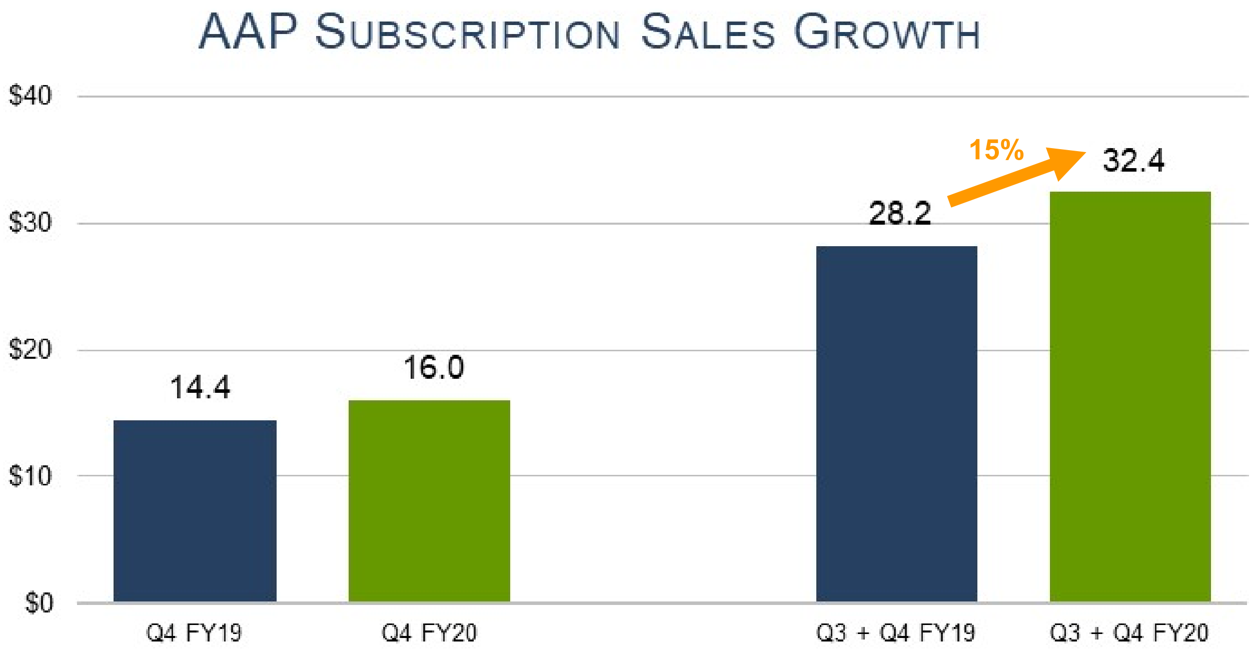
# All Access Pass



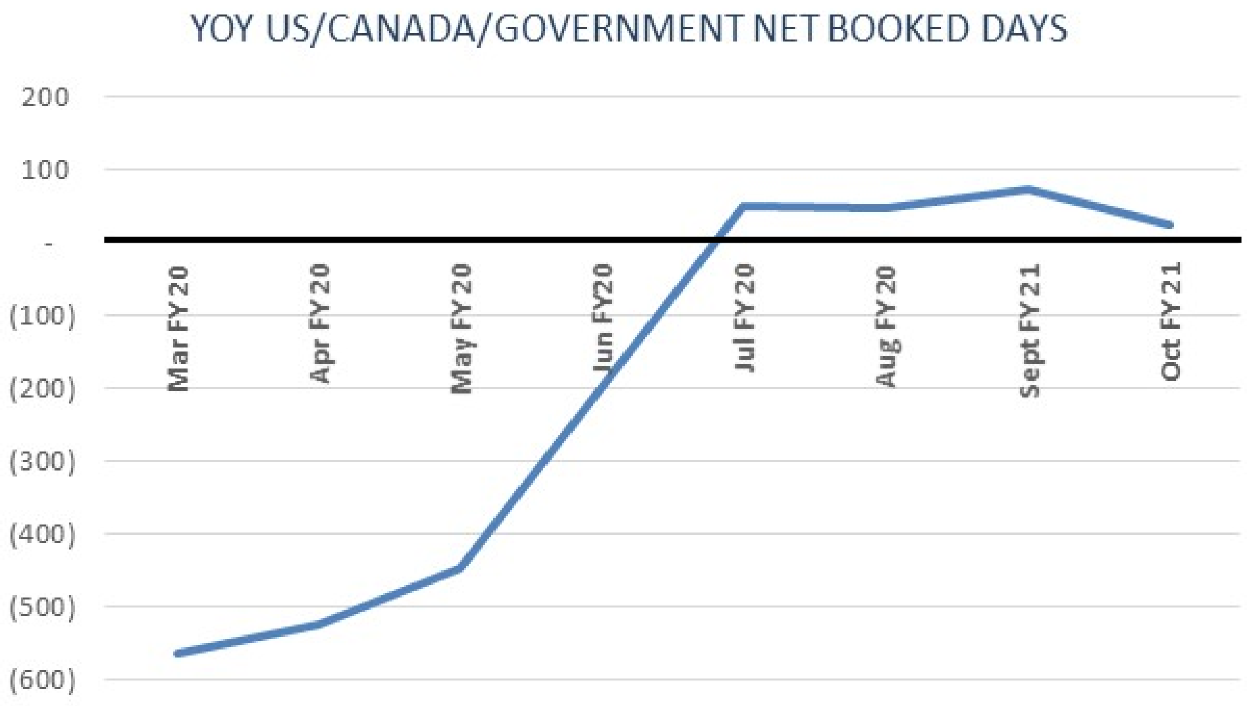



# AAP Subscription Sales Growth

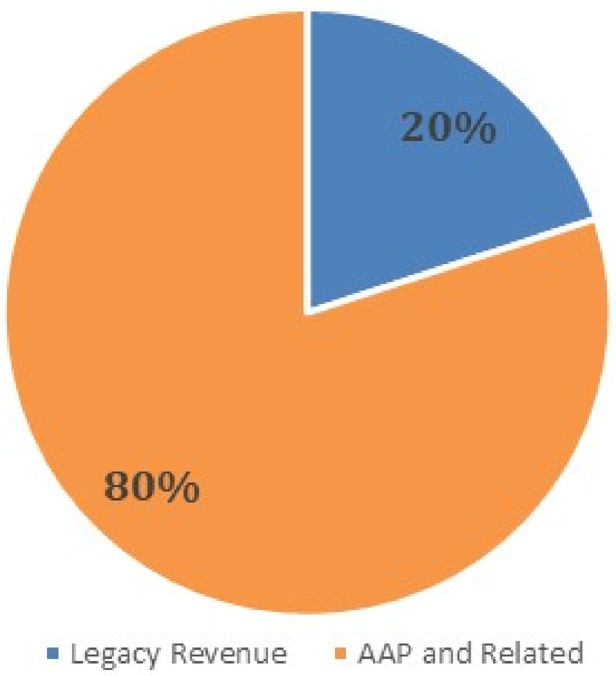
(in millions and unaudited)



# US/Canada Booking Pace



# US/Canada AAP and Related



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# Examples

Financial Services Firm

Hospital System

School District

# Durability of Subscription Business

Clients across industries doubled down on AAP during the storm in Q3 and Q4.

| Client Industry | Client Situation | Action with All Access Pass |
| --- | --- | --- |
| Financial services | During a major cost reduction, the organization prioritized a comprehensive leader development. | Extended for 3 years |
| Financial services | Challenging demand required a focus on improving close rates of their sales force. | Extended for 3 years |
| Government | Demand for employee development jumped during the pandemic. | Restarted pass after 2019 lapse |
| Government | With unprecedented change, the adaptability and soft skills of all employees become critical. | Added 10,000+ user All Access Pass |
| Healthcare | Revenue loss due to cancelation of elective procedures required a cultural shift to efficiency. | Doubled pass and extended 3 years |
| Healthcare | Pandemic-related disruptions did not disrupt the commitment to develop great leaders. | Grew pass 50% and extended 3 years |
| Hospitality | Despite hotels being widely closed, improving diversity & inclusion was essential to the mission. | Extended for multiple years |
| Hospitality | Lack of in-person contact increased the importance of meaningful live-online training experiences. | Added new delivery services |
| Energy | In the face of soft demand, needed to improve efficiency and execution through their leaders. | Grew pass 300% to 10,000 users |
| Manufacturing | Diversity & inclusion became a top priority for the future of the culture. | Grew pass by 250% |
| Manufacturing | After the initial pandemic shock, the need was still there to improve cycle times. | Added services after March pause |
| Retail | The industry and technology changes have forced all employees to change how they work. | Enterprise-wide pass for 3 years |
| Retail | With cost cuts all around, effective leaders are the lynchpin of the company strategy. | Extended for another year |
| Services | Gaps in leader skills became more glaring during the pandemic. | Expanded by 100% in first 6 months |
| Technology | Despite a slowdown in revenue, the organization needed its leaders to continue transforming. | Extended for 3,400 leaders |
| Technology | While the organization was looking for cost savings | Extended for another year |

# Durability of Subscription Business

Developing life-ready leaders is a priority, even in a pandemic.

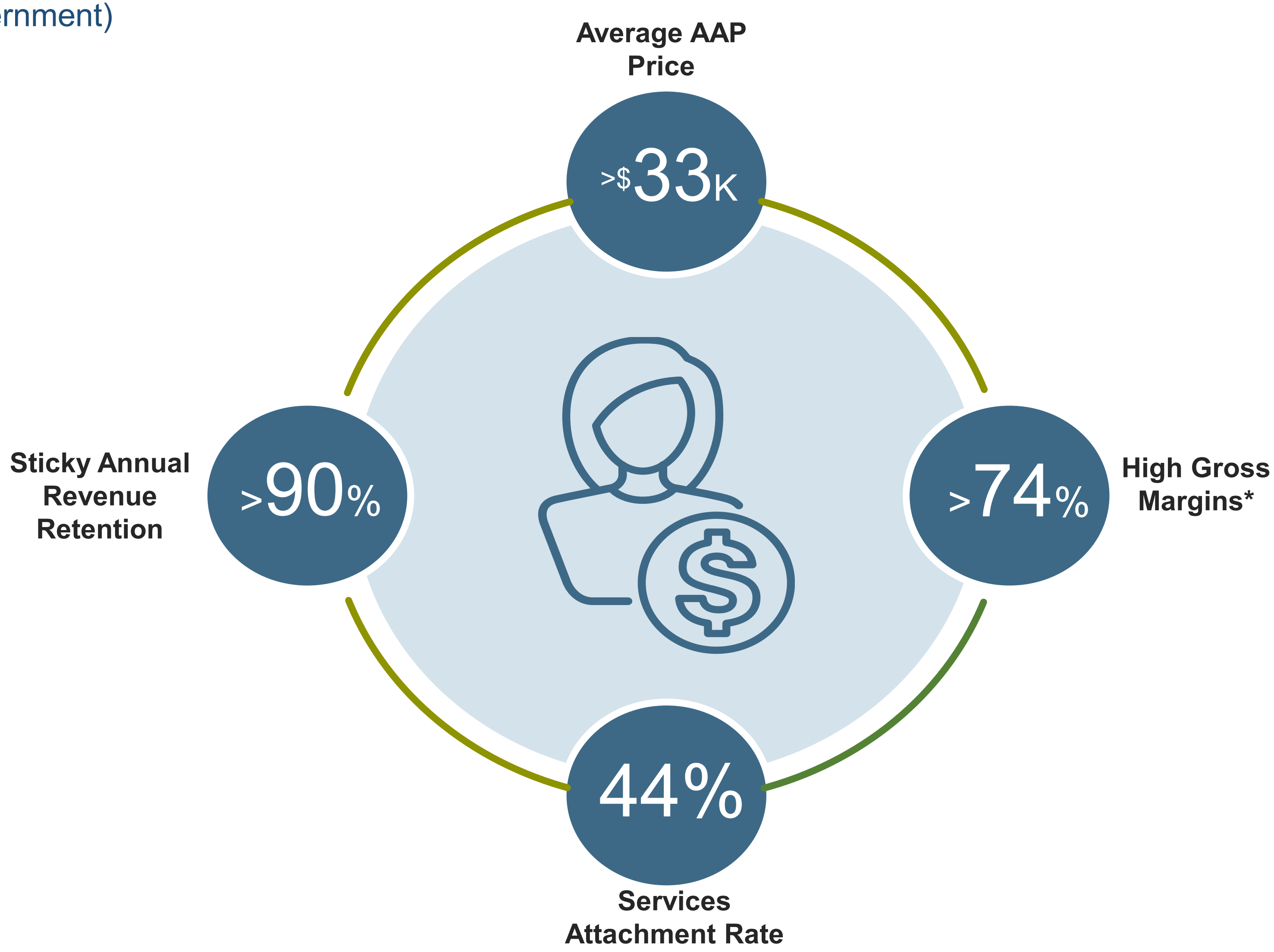
| Type of School/District | Job they hired Leader in Me to do | Action they took |
|---|---|---|
| A mid-size district in Georgia | Expand their student leadership to build college, career, and life-ready leaders. | Signed a $600k contract to bring on Leader in Me throughout their district over the next three years with extensive coaching services attached. |
| A rural High School in Pennsylvania | Develop self-leadership capacity, and overall leadership capacity within the school, for teachers and students to thrive during and after the COVID pandemic. | Signed 3-year LIM contract to bring Leader in Me on during the pandemic and implement immediately. |
| An elementary school in one of the largest urban districts in the nation | They are worried about their students falling behind and not being ready for college and so they desire to create a culture of leadership, agency, and advocacy. | By diligently implementing Leader in Me they have been able to maintain a 96-98% attendance rate even during this pandemic. |
| A private School in Florida | Prioritize college and career readiness. | Renewed Leader in Me contract for 10th consecutive year. |
| A large urban High School in Texas | They were told they had to adopt a Social-Emotional Learning (SEL) program to improve their SEL skills. | Chose Leader in Me as their required SEL solution. |
| A large school district in New York | Continuous Improvement around culture, staff, students, and community. | During COVID, they have maintained their Leader in Me Lighthouse status as a District, which is only given to high performing schools and districts. |
| A large school district in the Northeast | Help with workforce development for the whole community. | Expanded Leader in Me to include the whole community, in addition to the district. |
| A large school district in Texas | Build student ownership, accountability, and engagement in a highly diverse district. | They expanded their district Leader in Me membership from 2 Schools to 20 Schools. |

# All Access Pass Value Proposition

- ✓ The full collection of our best-in-class content and solutions;
- ✓ All modalities, in virtually any time segment, and on any device;
- ✓ In more than 20 languages worldwide;
- ✓ At no additional cost, All Access Passholders also receive the expert services of an implementation specialist who works with them to ensure that they are achieving the progress they are seeking; and
- ✓ All of this is offered to them at a price per person trained that is equal to, or less, than the typical cost of training one person, in one content area, in a single modality.

# Lifetime Customer Value

(U.S./Canada/Government)




*Enterprise Division Gross Margin - Blend between Subscription & Services

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# Appendix

# Other Information

## Other Income Statement Information:

- Depreciation: $6.7M in FY2020, expected to total approximately $6.5M in FY2021.
- Amortization: $4.6M in FY2020, expected to total approximately $4.5M in FY2021.
- Net Interest and Discount: $2.3M in FY2020, expected to total approximately $2.3M in FY2021.
- Share-based Compensation, Impaired Assets, Restructuring, Accrued Earnout and Other: totaling $6.9M in FY2020; expected to total approximately $8.0M in FY2021.
- Effective Tax Rate: Our normalized affective tax rate is expected to eventually be 26% to 30%, before unusual permanent book/tax differences and benefit of re-measuring deferred taxes. The actual tax rate could be a significantly different percentage, and we are not projecting an FY21 effective rate.

## Other Information:

- Capital Expenditures: $4.2M in FY2020, expected to total approximately $2.5M to $3.0M in FY2021.
- Capitalized Curriculum excluding acquired content: $5.1M in FY2020, expected to total approximately $4.5M to $5.5M in FY2021, including localization of AAP content, AAP content development, and Education content development.
- Share Count: 14,025K shares outstanding as of October 31, 2020. 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: 254 on August 31, 2020.
- Impact of FX in FY20: decrease to Sales $0.1M in Q4 and $.6M YTD; insignificant increase to Adjusted EBITDA in Q4 and $.4M YTD.

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

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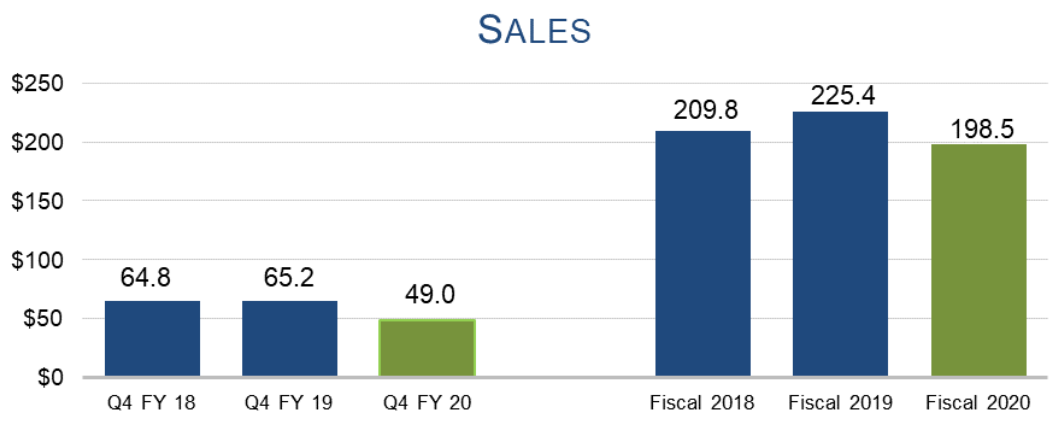
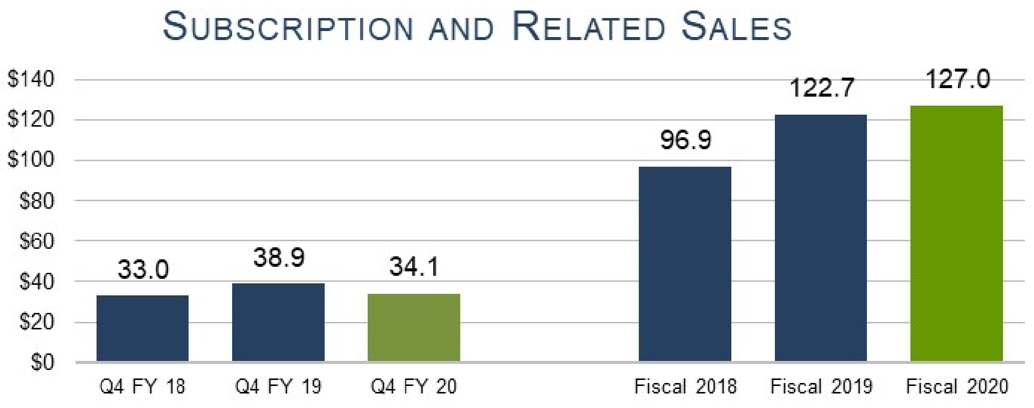
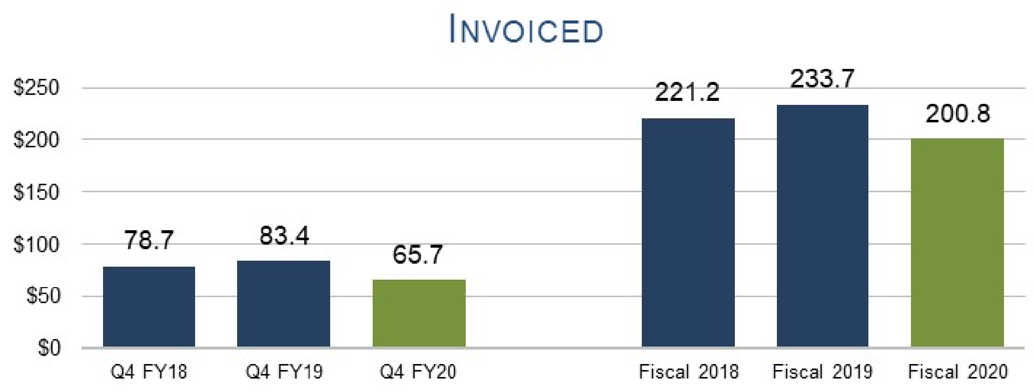
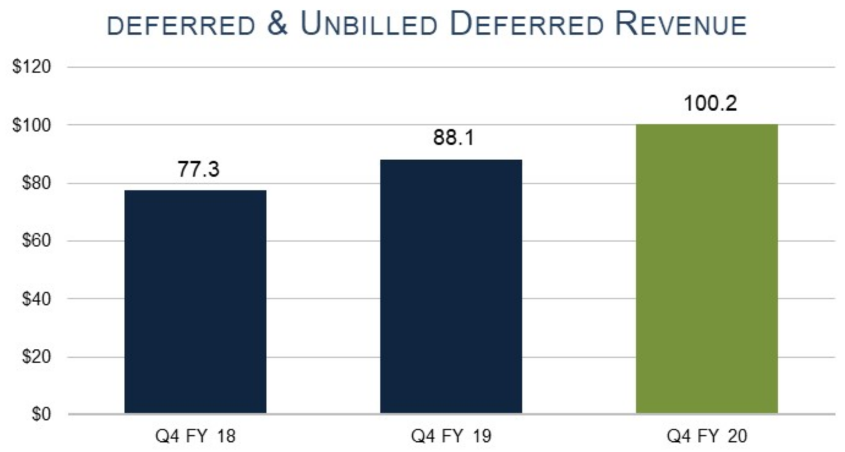
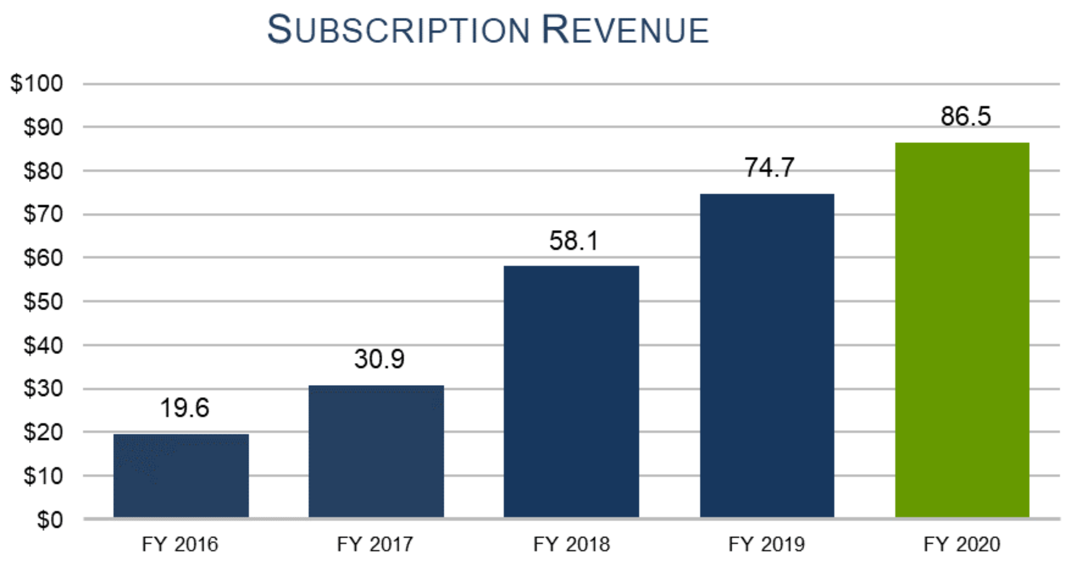


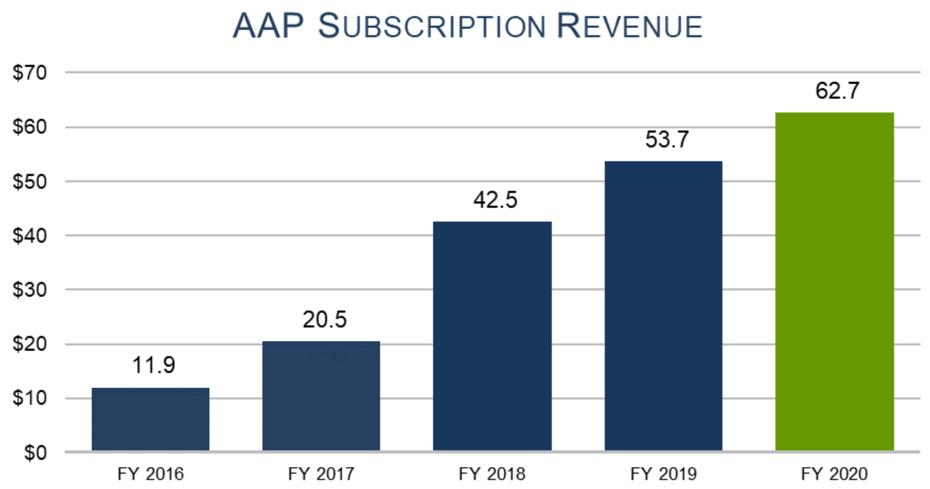



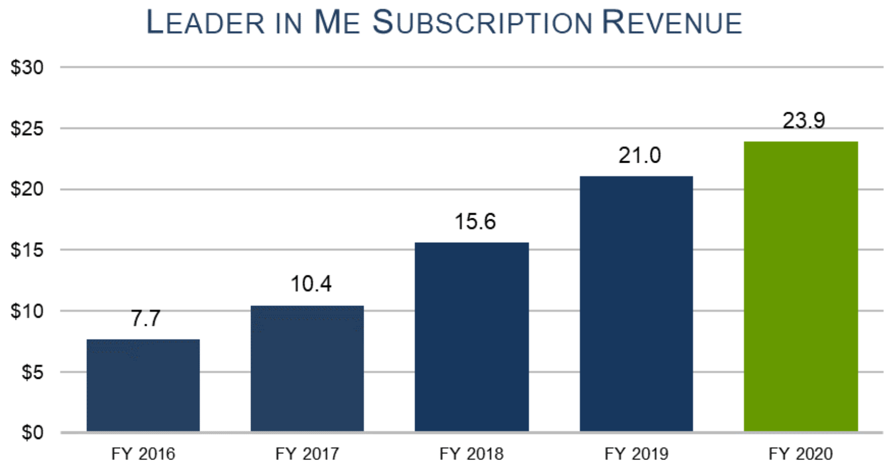



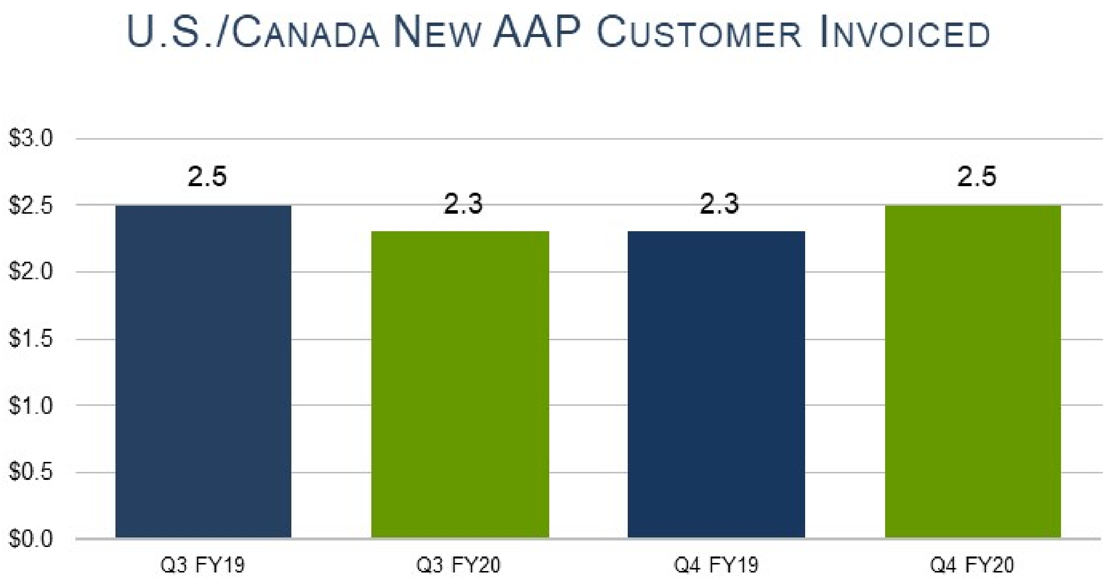
# Trends in the Business

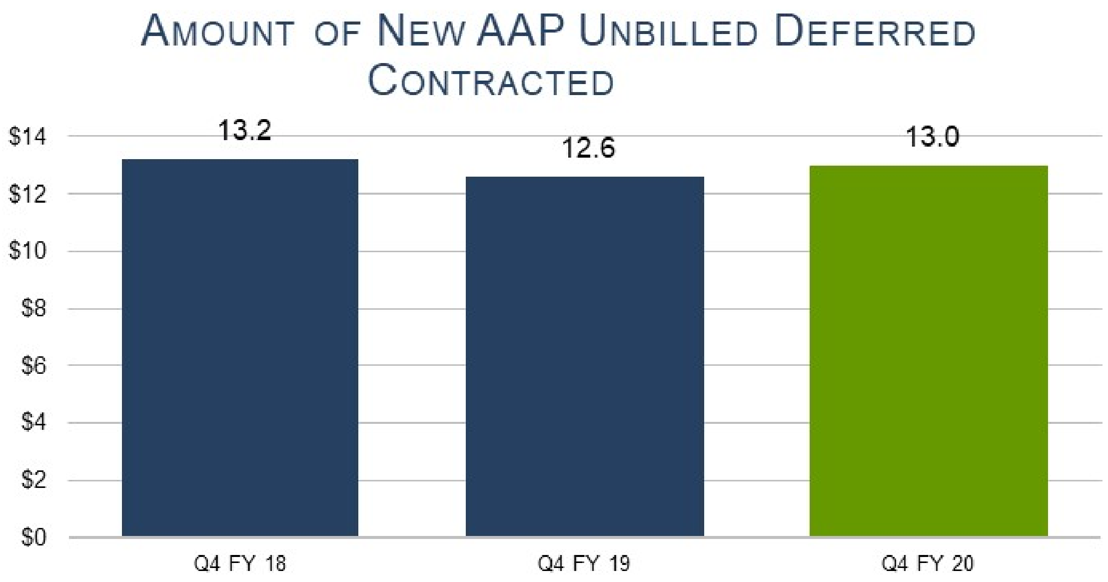


# AAP Growth Engine



# Enterprise Division - Financial Summary

(in millions and unaudited)

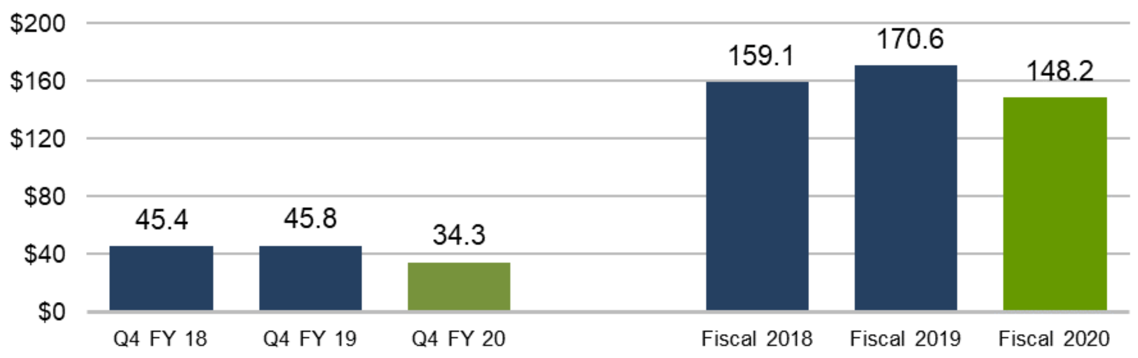
| | Q4FY20 | Q4FY19 | Chg | % | Fiscal 2020 | Fiscal 2019 | Chg | % |
|---|---|---|---|---|---|---|---|---|
| **Sales** | **$ 34.3** | **45.8** | **($11.5)** | **-25.1%** | **$ 148.2** | **$ 170.6** | **($22.4)** | **-13.1%** |
| Cost of Sales | 6.4 | 10.5 | (4.1) | -39.5% | 33.4 | 43.7 | (10.3) | -23.5% |
| **Gross Profit** | **27.9** | **35.3** | **(7.4)** | **-20.9%** | **114.8** | **127.0** | **(12.2)** | **-9.6%** |
| Gross Profit % | 81.4% | 77.0% | 439 | bps | 77.5% | 74.4% | 305 | bps |
| Operating SG&A | 21.3 | 24.6 | (3.3) | -13.3% | 94.7 | 101.5 | (6.7) | -6.6% |
| Operating SG&A % | 62.2% | 53.7% | (847) | bps | 63.9% | 59.5% | (445) | bps |
| **Adjusted EBITDA** | **$ 6.6** | **$ 10.7** | **($4.1)** | **-38.2%** | **$ 20.1** | **$ 25.5** | **($5.4)** | **-21.3%** |

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.

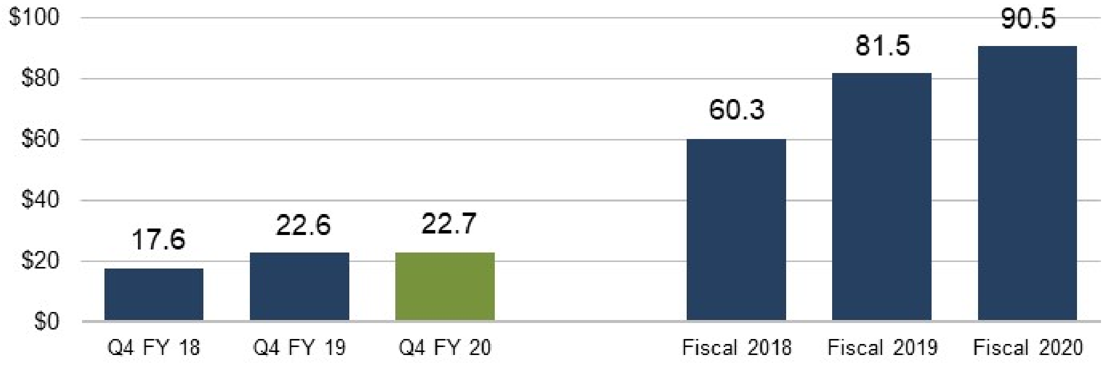
# Enterprise Division - Strong Revenue Momentum

(in millions and unaudited)

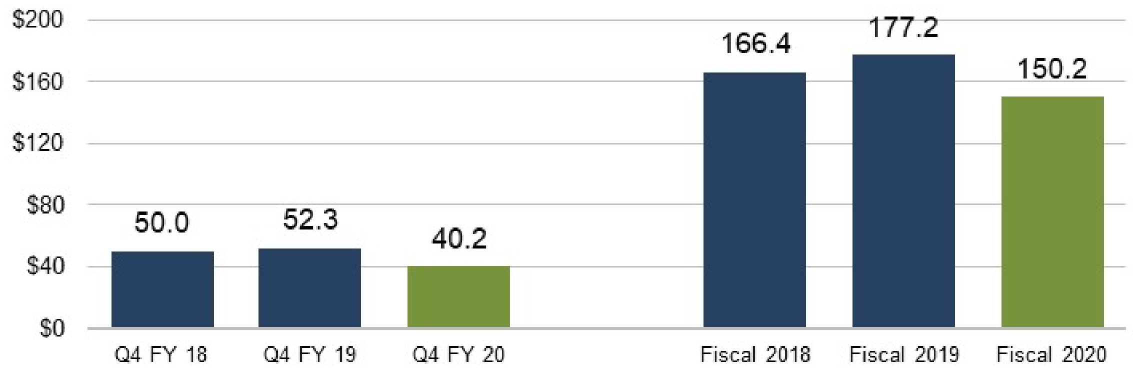
## Sales



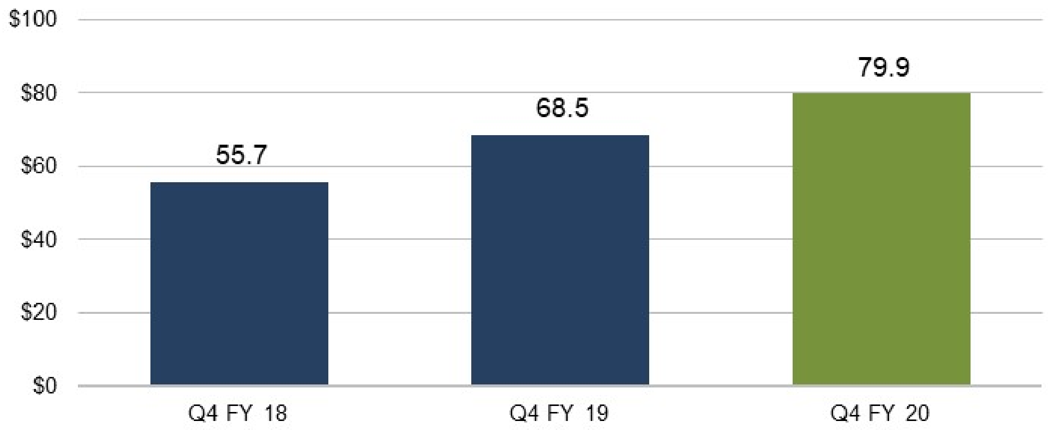

## AAP Plus Add-on Sales




## Invoiced




## Deferred & Unbilled Deferred Revenue



# Enterprise Division - AAP & Related Revenue Growing Rapidly

(in millions and unaudited)

| | Fiscal 2020 | Fiscal 2019 | Fiscal 2018 | Q4 FY20 | Q3 FY20 | Q2 FY20 | Q1 FY 20 | Q4 FY 19 |
|---|---|---|---|---|---|---|---|---|
| AAP Sales | $62.7 | $53.7 | $42.5 | $16.0 | $16.4 | $15.5 | $14.7 | $14.4 |
| AAP Add on Sales* | 27.8 | 27.9 | 17.8 | 6.6 | 4.4 | 7.9 | 8.9 | 8.1 |
| **Total AAP and Related** | **90.5** | **81.5** | **60.3** | **22.7** | **20.8** | **23.4** | **23.6** | **22.6** |
| **Percent of AAP and Related Sales to Total Enterprise Sales** | **61%** | **48%** | **38%** | **66%** | **76%** | **58%** | **51%** | **49%** |
| Legacy Sales | 32.9 | 53.0 | 62.5 | 6.2 | 3.4 | 10.4 | 12.8 | 13.7 |
| International licensees | 8.5 | 12.9 | 13.2 | 1.3 | 0.7 | 2.7 | 3.7 | 3.3 |
| Other Sales | 16.4 | 23.2 | 23.1 | 4.0 | 2.5 | 4.1 | 5.7 | 6.2 |
| **Total Enterprise Sales** | **$148.2** | **$170.6** | **$159.1** | **$34.3** | **$27.5** | **$40.7** | **$45.8** | **$45.8** |

Other Sales includes China (where AAP is not being offered), book royalties and other miscellaneous revenue items.
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

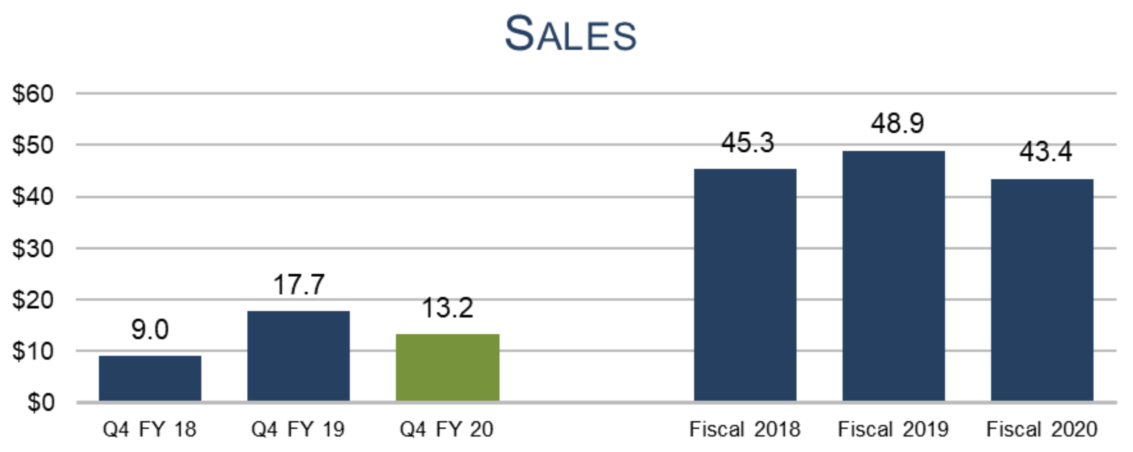
(in millions and unaudited)

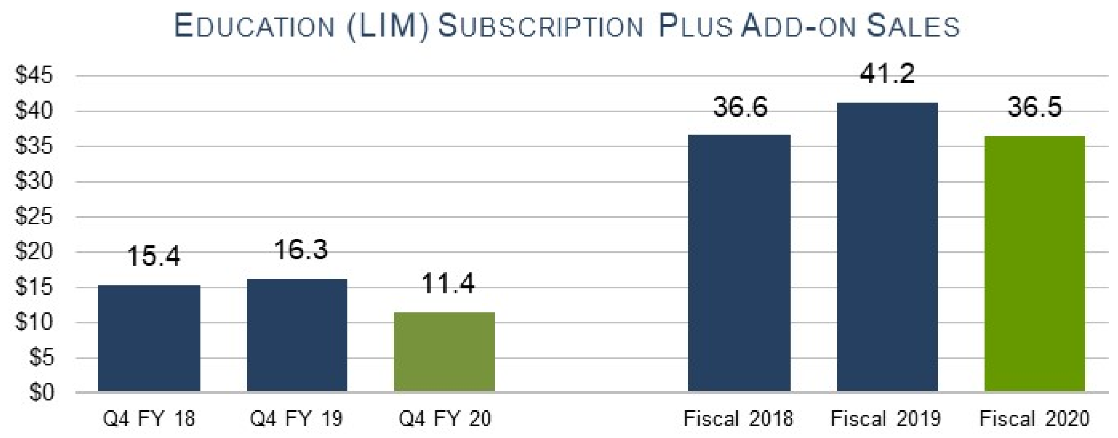
| | Q4FY20 | Q4FY19 | Chg | % | Fiscal 2020 | Fiscal 2019 | Chg | % |
|---|---|---|---|---|---|---|---|---|
| **Sales** | **$ 13.2** | **$ 17.7** | **($4.5)** | **-25.5%** | **$ 43.4** | **$ 48.9** | **($5.5)** | **-11.2%** |
| Cost of Sales | 3.9 | 6.0 | (2.1) | -34.7% | 16.3 | 18.5 | (2.2) | -11.9% |
| **Gross Profit** | **9.3** | **11.7** | **(2.4)** | **-20.8%** | **27.1** | **30.4** | **(3.3)** | **-10.8%** |
| Gross Profit % | 70.2% | 66.0% | 420 | bps | 62.4% | 62.1% | 29 | bps |
| Operating SG&A | 5.7 | 6.8 | (1.1) | -16.8% | 27.2 | 26.8 | 0.4 | 1.4% |
| Operating SG&A % | 42.8% | 38.3% | (449) | bps | 62.6% | 54.9% | (777) | bps |
| **Adjusted EBITDA** | **$ 3.6** | **$ 4.9** | **($1.3)** | **-26.3%** | **($0.1)** | **$ 3.6** | **($3.6)** | **-102.5%** |

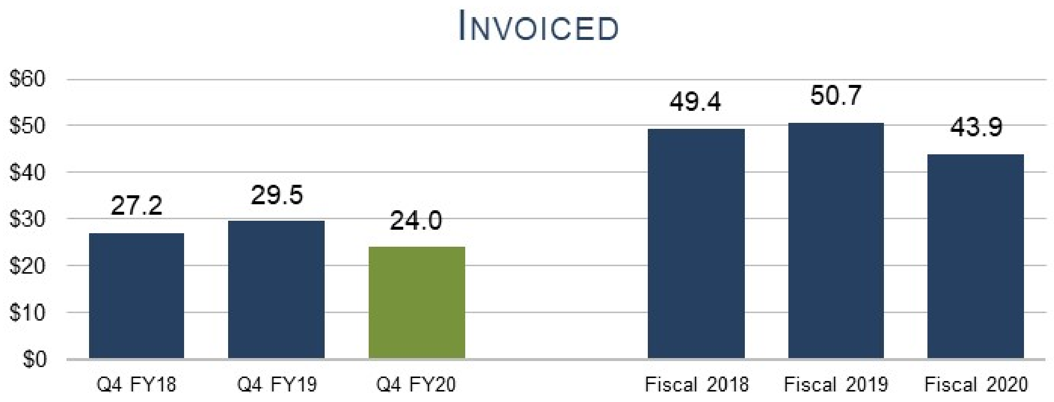
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

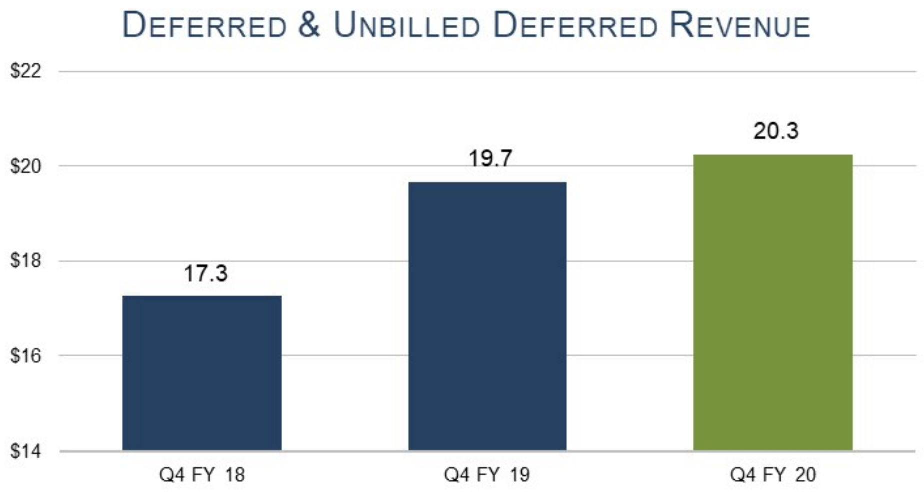
# Education Division - Strong Revenue Momentum

(in millions and unaudited)

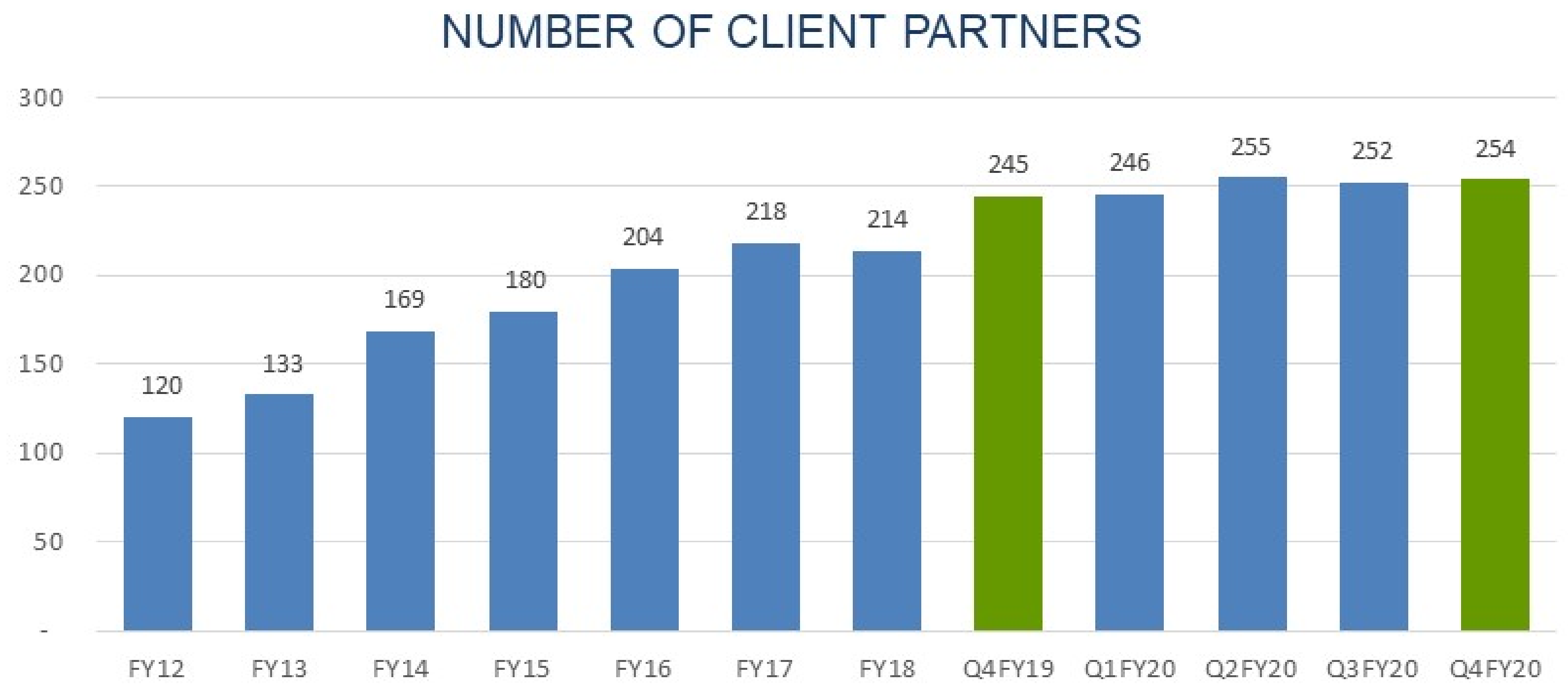


# Client Partners



# Sales Information

(in millions and unaudited)

| | FY2018 | | | | | FY2019 | | | | | FY2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | FY2018 | Q1 | Q2 | Q3 | Q4 | FY2019 | Q1 | Q2 | Q3 | Q4 | FY2020 |
| **Sales** | | | | | | | | | | | | | | | |
| **Reported Net Sales** | 47.9 | 46.5 | 50.5 | 64.8 | 209.8 | 53.8 | 50.4 | 56.0 | 65.2 | 225.4 | 58.6 | 53.7 | 37.1 | 49.0 | 198.5 |
| Change in Deferred Revenue | (5.2) | 0.2 | 2.5 | 13.9 | 11.4 | (8.5) | (1.8) | 0.3 | 18.3 | 8.3 | (9.5) | (0.7) | (4.1) | 16.7 | 2.4 |
| **Invoiced Amount** | 42.7 | 46.8 | 52.9 | 78.7 | 221.2 | 45.3 | 48.6 | 56.4 | 83.4 | 233.7 | 49.1 | 53.0 | 33.1 | 65.7 | 200.8 |
| **Balance Sheet** | | | | | | | | | | | | | | | |
| **Roll-Forward of Deferred Subscription Revenue** | | | | | | | | | | | | | | | |
| Beginning Balance (deferred revenue) | 36.4 | 31.4 | 32.1 | 34.5 | 36.4 | 48.4 | 41.4 | 39.6 | 39.9 | 48.4 | 58.2 | 48.7 | 48.0 | 43.9 | 58.2 |
| Subscription Invoiced | 7.9 | 13.9 | 17.3 | 30.6 | 69.7 | 9.8 | 15.9 | 19.3 | 37.8 | 82.8 | 11.6 | 20.6 | 18.2 | 38.5 | 88.9 |
| Amounts Recorded to Revenue | (13.1) | (13.7) | (14.9) | (16.6) | (58.3) | (18.3) | (17.7) | (18.9) | (19.6) | (74.5) | (21.1) | (21.3) | (22.3) | (21.8) | (86.5) |
| Change in Deferred Revenue | (5.2) | 0.2 | 2.5 | 13.9 | 11.4 | (8.5) | (1.8) | 0.3 | 18.3 | 8.3 | (9.5) | (0.7) | (4.1) | 16.7 | 2.4 |
| FX, 606, and Other Changes | 0.2 | 0.4 | (0.0) | (0.0) | 0.6 | 1.5 | - | - | - | 1.5 | - | - | - | - | - |
| Ending Balance (Def Subscription Revenue) | 31.4 | 32.1 | 34.5 | 48.4 | 48.4 | 41.4 | 39.6 | 39.9 | 58.2 | 58.2 | 48.7 | 48.0 | 43.9 | 60.6 | 2.4 |
| **Unbilled Deferred Contracts** | | | | | | | | | | | | | | | |
| Beginning Balance (off balance sheet) | 17.2 | 16.3 | 15.5 | 15.1 | 17.2 | 24.5 | 24.4 | 25.0 | 23.7 | 24.5 | 29.9 | 34.0 | 34.8 | 33.4 | 29.9 |
| New Unbilled Contracts | 1.9 | 2.1 | 2.8 | 13.4 | 20.2 | 1.4 | 4.6 | 3.5 | 12.8 | 22.3 | 7.0 | 8.5 | 4.7 | 13.2 | 33.5 |
| Amounts Invoiced | (2.8) | (2.9) | (3.2) | (4.0) | (12.9) | (1.5) | (4.0) | (4.7) | (6.6) | (16.9) | (3.0) | (7.7) | (6.1) | (7.1) | (23.9) |
| Ending Balance (off balance sheet) | 16.3 | 15.5 | 15.1 | 24.5 | 24.5 | 24.4 | 25.0 | 23.7 | 29.9 | 29.9 | 34.0 | 34.8 | 33.4 | 39.6 | 39.6 |
| **Breakout of Deferred Sales (above)** | | | | | | | | | | | | | | | |
| **Subscription Sales (Invoiced Amounts)** | | | | | | | | | | | | | | | |
| All Access Pass Subscriptions | 6.8 | 13.4 | 11.7 | 16.9 | 48.8 | 8.3 | 15.1 | 13.7 | 21.2 | 58.3 | 10.3 | 19.4 | 11.8 | 22.1 | 63.6 |
| Education Subscription Contracts | 0.9 | 0.2 | 5.0 | 13.1 | 19.2 | 0.8 | 0.4 | 5.2 | 15.4 | 21.9 | 1.2 | 0.7 | 6.1 | 16.2 | 24.2 |
| Other | 0.2 | 0.4 | 0.7 | 0.5 | 1.7 | 0.7 | 0.5 | 0.3 | 1.2 | 2.7 | 0.2 | 0.5 | 0.3 | 0.2 | 1.2 |
| Total Additions to balance sheet | 7.9 | 13.9 | 17.3 | 30.6 | 69.7 | 9.8 | 15.9 | 19.3 | 37.8 | 82.8 | 11.6 | 20.6 | 18.2 | 38.5 | 88.9 |

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 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.

# FranklinCovey – Contracts Signed

(in thousands and unaudited)

| Fourth Quarter | Enterprise Division | | | | Education Division | | | | Corporate | | | Total Company | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY20 | FY19 | Change | % | FY20 | FY19 | Change | % | FY20 | FY19 | Change | FY20 | FY19 | Change | % |
| Sales | 34.3 | 45.8 | (11.5) | -25.1% | 13.2 | 17.7 | (4.5) | -25.5% | 1.5 | 1.6 | (0.1) | 49.0 | 65.2 | (16.2) | -24.8% |
| Change in Deferred Subscription Revenue | 5.9 | 6.6 | (0.7) | -10.0% | 10.8 | 11.7 | (0.9) | -7.9% | (0.0) | (0.0) | 0.0 | 16.7 | 18.3 | (1.6) | -8.7% |
| Invoiced Amounts | 40.2 | 52.3 | (12.2) | -23.3% | 24.0 | 29.5 | (5.5) | -18.5% | 1.5 | 1.6 | (0.1) | 65.7 | 83.4 | (17.8) | -21.3% |
| Change in Unbilled Deferred Revenue | 6.1 | 6.1 | (0.0) | | 0.1 | 0.1 | (0.0) | | (0.0) | 0.0 | (0.0) | 6.2 | 6.2 | (0.0) | |
| Total Contracts Signed | 46.2 | 58.4 | (12.2) | -20.9% | 24.1 | 29.5 | (5.5) | -18.5% | 1.5 | 1.6 | (0.1) | 71.8 | 89.6 | (17.8) | -19.9% |

| Fiscal Year | Enterprise Division | | | | Education Division | | | | Corporate | | | Total Company | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY20 | FY19 | Change | % | FY20 | FY19 | Change | % | FY20 | FY19 | Change | FY20 | FY19 | Change | % |
| Sales | 148.2 | 170.6 | (22.4) | -13.1% | 43.4 | 48.9 | (5.5) | -11.2% | 6.8 | 5.8 | 1.0 | 198.5 | 225.4 | (26.9) | -11.9% |
| Change in Deferred Subscription Revenue | 1.9 | 6.5 | (4.6) | -70.3% | 0.5 | 1.8 | (1.3) | -74.6% | (0.0) | 0.0 | (0.0) | 2.4 | 8.3 | (5.9) | -71.2% |
| Invoiced Amounts | 150.2 | 177.2 | (27.0) | -15.2% | 43.9 | 50.7 | (6.8) | -13.4% | 6.8 | 5.8 | 1.0 | 200.8 | 233.7 | (32.8) | -14.0% |
| Change in Unbilled Deferred Revenue | 9.4 | 6.4 | 3.0 | | 0.3 | (1.0) | 1.3 | | 0.0 | (0.0) | 0.0 | 9.7 | 5.4 | 4.2 | |
| Total Contracts Signed | 159.6 | 183.6 | (24.0) | -13.1% | 44.1 | 49.7 | (5.5) | -11.1% | 6.8 | 5.8 | 1.0 | 210.5 | 239.1 | (28.6) | -12.0% |

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.

# Reconciliation of Net Loss to Adjusted EBITDA

(in thousands and unaudited)

| | Quarter Ended | | Fiscal Year Ended | |
|---|---|---|---|---|
| | August 31, 2020 | August 31, 2019 | August 31, 2020 | August 31, 2019 |
| Reconciliation of net income (loss) to Adjusted EBITDA: | | | | |
| Net income (loss) | $ 980 | $ 5,875 | $ (9,435) | $ (1,023) |
| Adjustments: | | | | |
| Interest expense, net | 515 | 534 | 2,262 | 2,063 |
| Income tax provision | 2,246 | 2,319 | 10,231 | 1,615 |
| Amortization | 1,102 | 1,179 | 4,606 | 4,976 |
| Depreciation | 1,739 | 1,558 | 6,664 | 6,364 |
| Stock-based compensation | 887 | 1,749 | (573) | 4,789 |
| Increase in the fair value of contingent consideration liabilities | 318 | 189 | (49) | 1,334 |
| Restructuring costs | 1,636 | - | 1,636 | - |
| Government COVID-19 assistance proceeds | (514) | - | (514) | - |
| Gain from insurance settlement | - | - | (933) | - |
| Knowledge Capital wind down costs | - | - | 389 | - |
| Licensee transition costs | - | - | - | 488 |
| Adjusted EBITDA | $ 8,909 | $ 13,403 | $ 14,284 | $ 20,606 |

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 | | Fiscal Year Ended | |
|---|---|---|---|---|
| | August 31, 2020 | August 31, 2019 | August 31, 2020 | August 31, 2019 |
| **Sales by Division/Segment:** | | | | |
| Enterprise Division: | | | | |
| Direct offices | $ 32,936 | $ 42,482 | $ 139,780 | $ 157,754 |
| International licensees | 1,332 | 3,298 | 8,451 | 12,896 |
| | 34,268 | 45,780 | 148,231 | 170,650 |
| Education Division | 13,215 | 17,748 | 43,405 | 48,880 |
| Corporate and other | 1,511 | 1,637 | 6,820 | 5,826 |
| **Consolidated** | $ 48,994 | $ 65,165 | $ 198,456 | $ 225,356 |
| **Gross Profit by Division/Segment:** | | | | |
| Enterprise Division: | | | | |
| Direct offices | $ 26,924 | $ 32,554 | $ 108,144 | $ 116,755 |
| International licensees | 983 | 2,716 | 6,679 | 10,231 |
| | 27,907 | 35,270 | 114,823 | 126,986 |
| Education Division | 9,271 | 11,705 | 27,099 | 30,373 |
| Corporate and other | 676 | 527 | 3,448 | 1,955 |
| **Consolidated** | $ 37,854 | $ 47,502 | $ 145,370 | $ 159,314 |
| **Adjusted EBITDA by Division/Segment:** | | | | |
| Enterprise Division: | | | | |
| Direct offices | $ 6,899 | $ 8,753 | $ 17,694 | $ 19,455 |
| International licensees | (290) | 1,945 | 2,406 | 6,072 |
| | 6,609 | 10,698 | 20,100 | 25,527 |
| Education Division | 3,617 | 4,909 | (90) | 3,553 |
| Corporate and other | (1,317) | (2,204) | (5,726) | (8,474) |
| **Consolidated** | $ 8,909 | $ 13,403 | $ 14,284 | $ 20,606 |

# Condensed Consolidated Balance Sheets

(in thousands and unaudited)

| | August 31, 2020 | August 31, 2019 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 27,137 | $ 27,699 |
| Accounts receivable, less allowance for doubtful accounts of $4,159 and $4,242 | 56,407 | 73,227 |
| Inventories | 2,974 | 3,481 |
| Prepaid expenses and other current assets | 15,146 | 14,933 |
| Total current assets | 101,664 | 119,340 |
| Property and equipment, net | 15,723 | 18,579 |
| Intangible assets, net | 47,125 | 47,690 |
| Goodwill | 24,220 | 24,220 |
| Deferred income tax assets | 1,094 | 5,045 |
| Other long-term assets | 15,611 | 10,039 |
| | $ 205,437 | $ 224,913 |

| | August 31, 2020 | August 31, 2019 |
|---|---|---|
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Current portion of term notes payable | $ 5,000 | $ 5,000 |
| Current portion of financing obligation | 2,600 | 2,335 |
| Accounts payable | 5,622 | 9,668 |
| Deferred subscription revenue | 59,289 | 56,250 |
| Other deferred revenue | 7,389 | 5,972 |
| Accrued liabilities | 22,628 | 24,319 |
| Total current liabilities | 102,528 | 103,544 |
| Term notes payable, less current portion | 15,000 | 15,000 |
| Financing obligation, less current portion | 14,048 | 16,648 |
| Other liabilities | 9,110 | 7,527 |
| Deferred income tax liabilities | 5,298 | 180 |
| Total liabilities | 145,984 | 142,899 |
| Shareholders' equity: | | |
| Common stock | 1,353 | 1,353 |
| Additional paid-in capital | 211,920 | 215,964 |
| Retained earnings | 49,968 | 59,403 |
| Accumulated other comprehensive income | 641 | 269 |
| Treasury stock at cost, 13,175 and 13,087 shares | (204,429) | (194,975) |
| Total shareholders' equity | 59,453 | 82,014 |
| | $ 205,437 | $ 224,913 |

# Condensed Consolidated Statements of Operations

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

| | Quarter Ended | | Fiscal Year Ended | |
|---|---|---|---|---|
| | August 31, 2020 | August 31, 2019 | August 31, 2020 | August 31, 2019 |
| Net sales | $ 48,994 | $ 65,165 | $ 198,456 | $ 225,356 |
| Cost of sales | 11,140 | 17,663 | 53,086 | 66,042 |
| Gross profit | 37,854 | 47,502 | 145,370 | 159,314 |
| Selling, general, and administrative | 28,749 | 34,288 | 129,979 | 140,530 |
| Stock-based compensation | 887 | 1,749 | (573) | 4,789 |
| Restructuring costs | 1,636 | - | 1,636 | - |
| Depreciation | 1,739 | 1,558 | 6,664 | 6,364 |
| Amortization | 1,102 | 1,179 | 4,606 | 4,976 |
| Income from operations | 3,741 | 8,728 | 3,058 | 2,655 |
| Interest expense, net | (515) | (534) | (2,262) | (2,063) |
| Income before income taxes | 3,226 | 8,194 | 796 | 592 |
| Income tax provision | (2,246) | (2,319) | (10,231) | (1,615) |
| Net income (loss) | $ 980 | $ 5,875 | $ (9,435) | $ (1,023) |
| Net income (loss) per common share: | | | | |
| Basic | $ 0.07 | $ 0.42 | $ (0.68) | $ (0.07) |
| Diluted | 0.07 | 0.41 | (0.68) | (0.07) |
| Weighted average common shares: | | | | |
| Basic | 13,876 | 13,974 | 13,892 | 13,948 |
| Diluted | 13,941 | 14,227 | 13,892 | 13,948 |
| Other data: | | | | |
| Adjusted EBITDA(1) | $ 8,909 | $ 13,403 | $ 14,284 | $ 20,606 |

(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.

# 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 training which is invoiced to the client in one lump sum. In this circumstance, the entire lump sum is included in Deferred Revenue. 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 to 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.

- 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, FranklinCovey 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).