

# Investor Update

## First Quarter / Fiscal Year 2021





# 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.

# First Quarter Results

1. Revenue was strong
2. Gross Margin increased by 359 basis points
3. Operating SG&A declined \$4.4 million
4. Adjusted EBITDA was \$3.7 million
5. Net Cash provided by operating activities increased \$4.1 million
6. Ended the quarter with ~\$49 million in liquidity

# Momentum Review

1A

FranklinCovey  
**ALL ACCESS PASS**



1B

FranklinCovey  
**ALL ACCESS PASS**  
+ COACHING & TRAINING



1C



JAPAN & CHINA OFFICES  
INTERNAT'L LICENSEES



1D

**LeaderinMe**

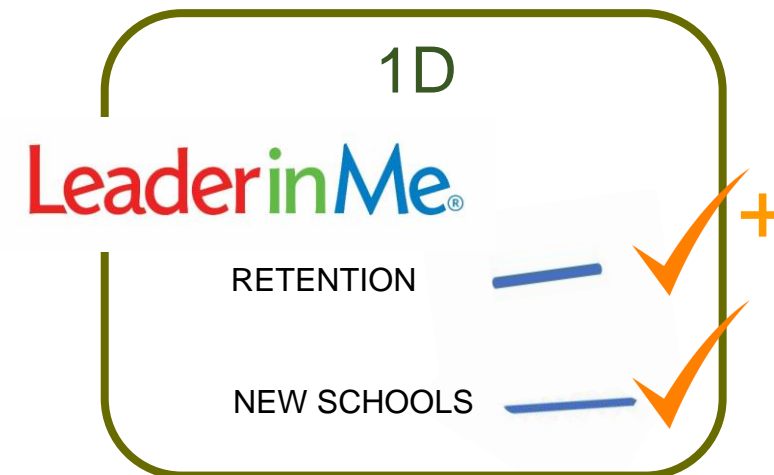
RETENTION



NEW SCHOOLS

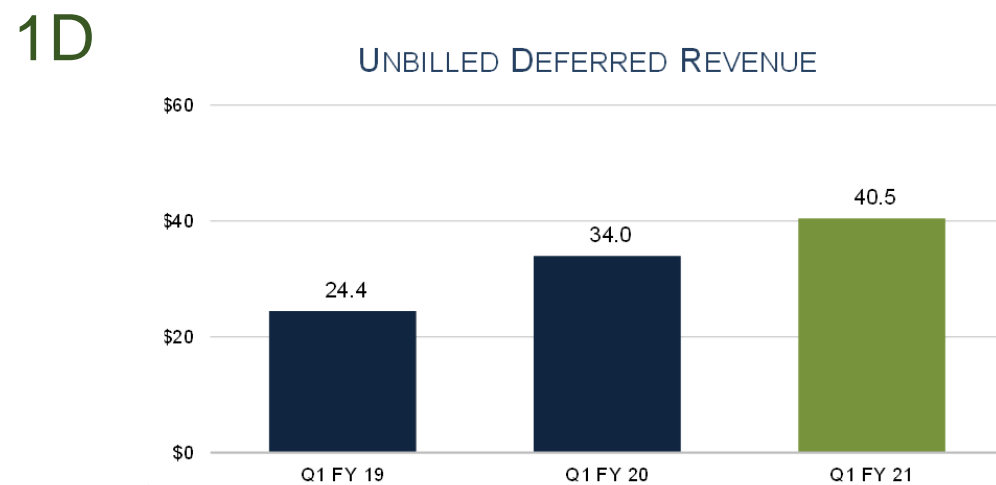
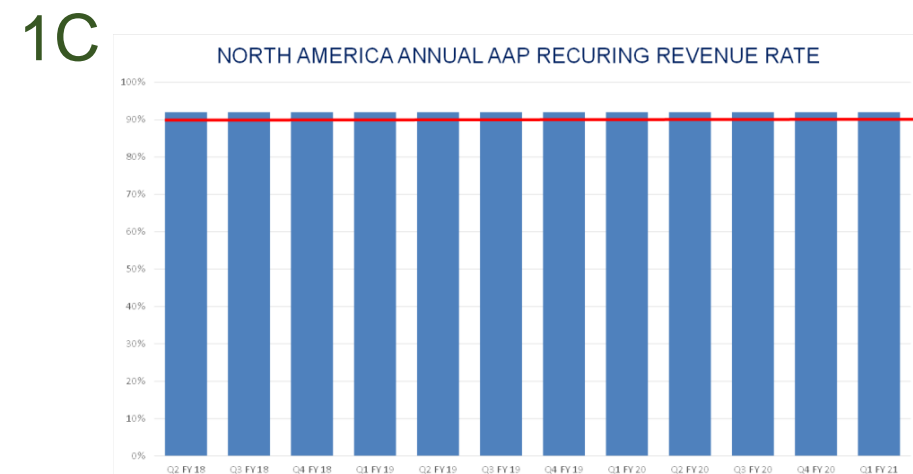
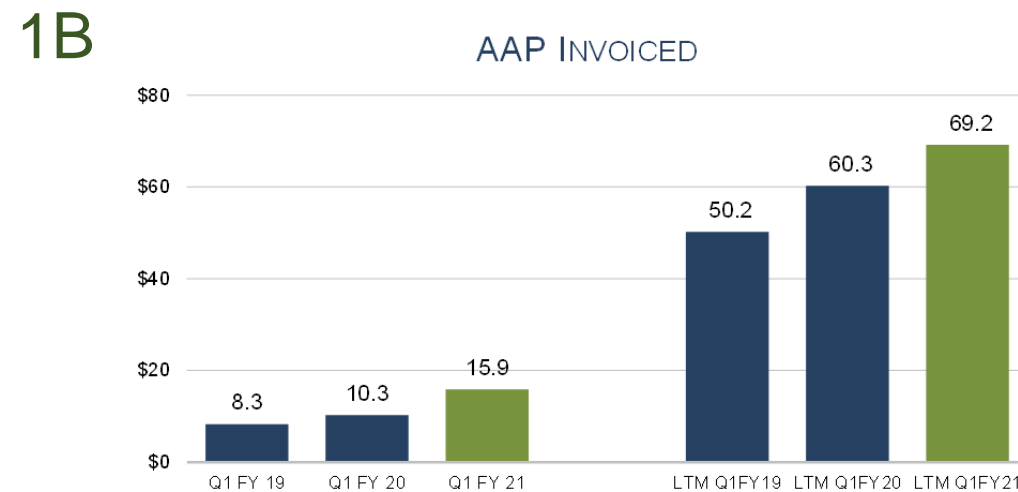
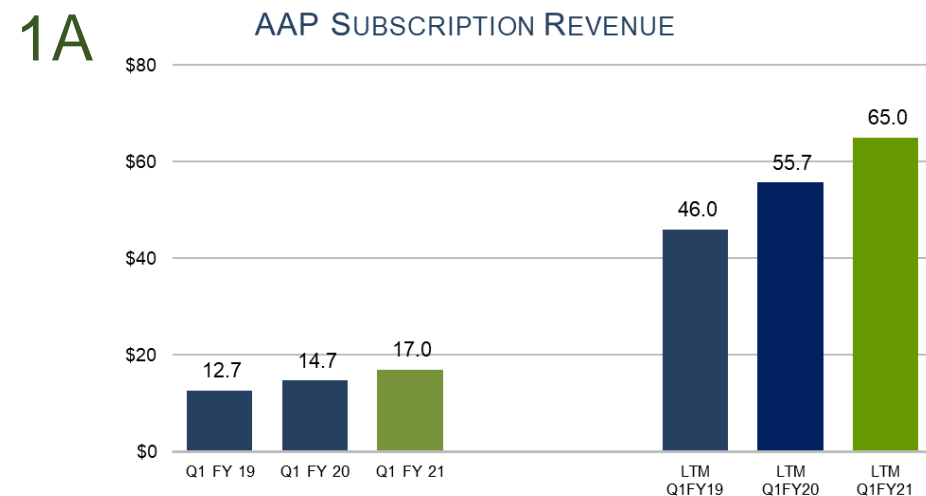


# Momentum Review



# Franklin Covey: Strong Revenue Momentum

(in millions and unaudited)

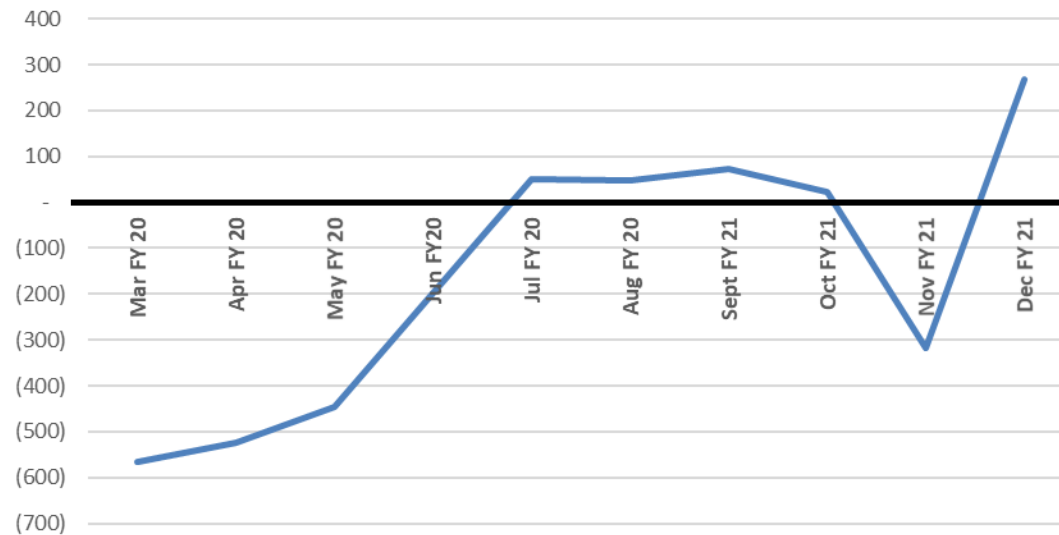


# Enterprise Booking Pace

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.

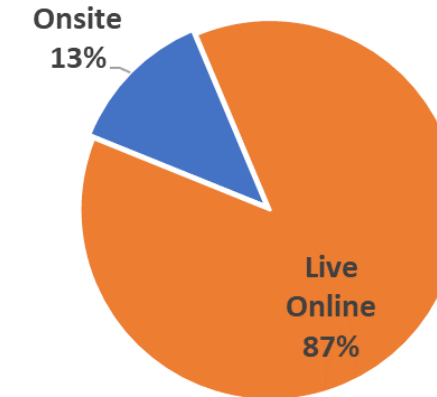
1A

YOY CHANGE IN NORTH AMERICA NET BOOKED DAYS



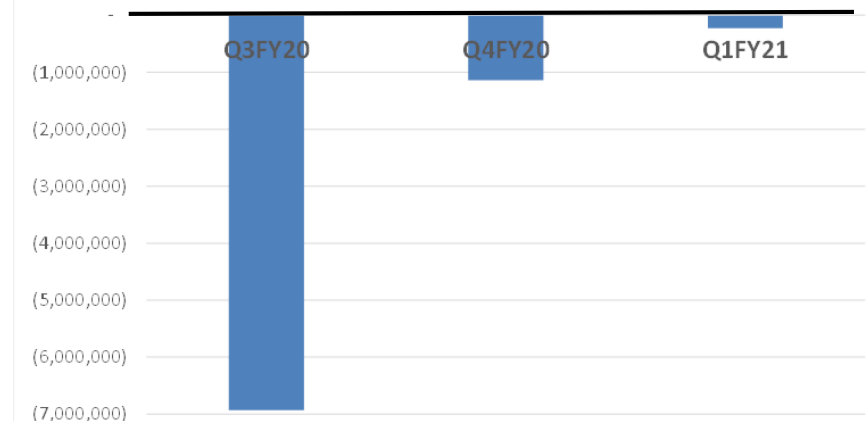
1B

DELIVERY METHOD OF NEW TRAINING DAYS (NORTH AMERICA)



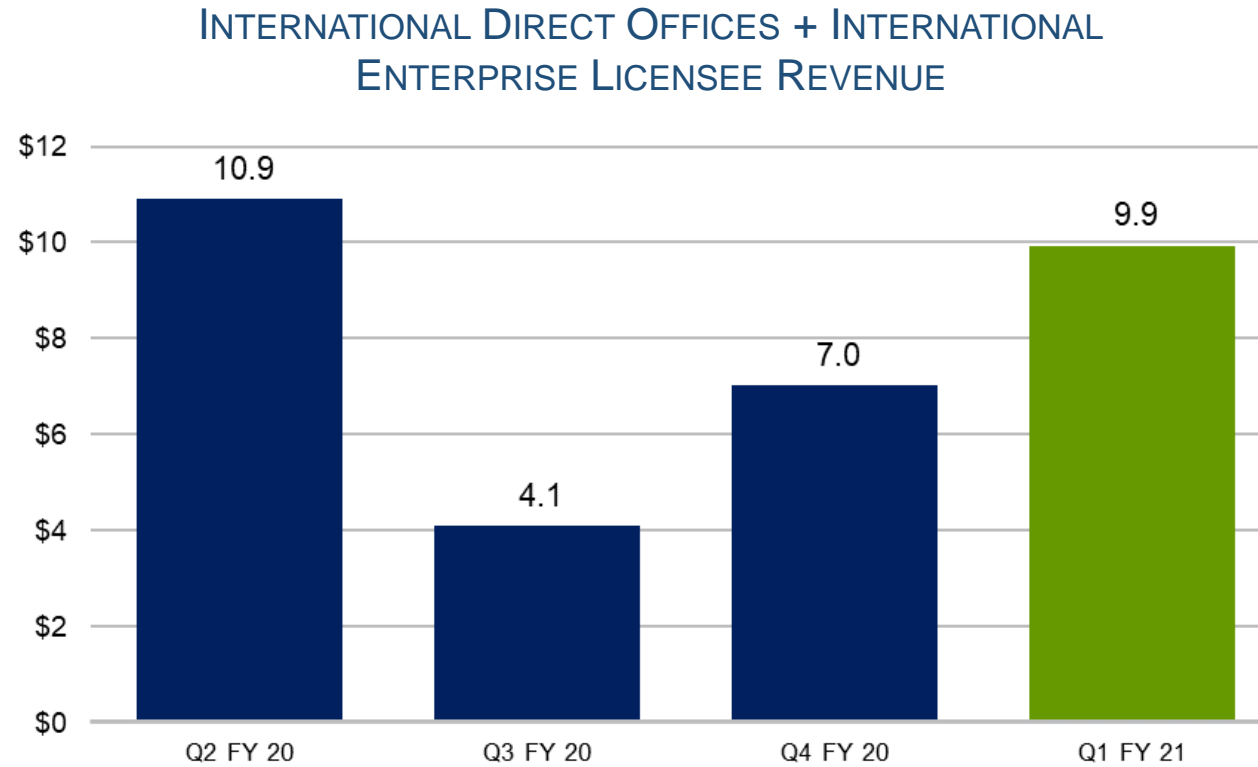
1C

North America YOY Onsite Revenue



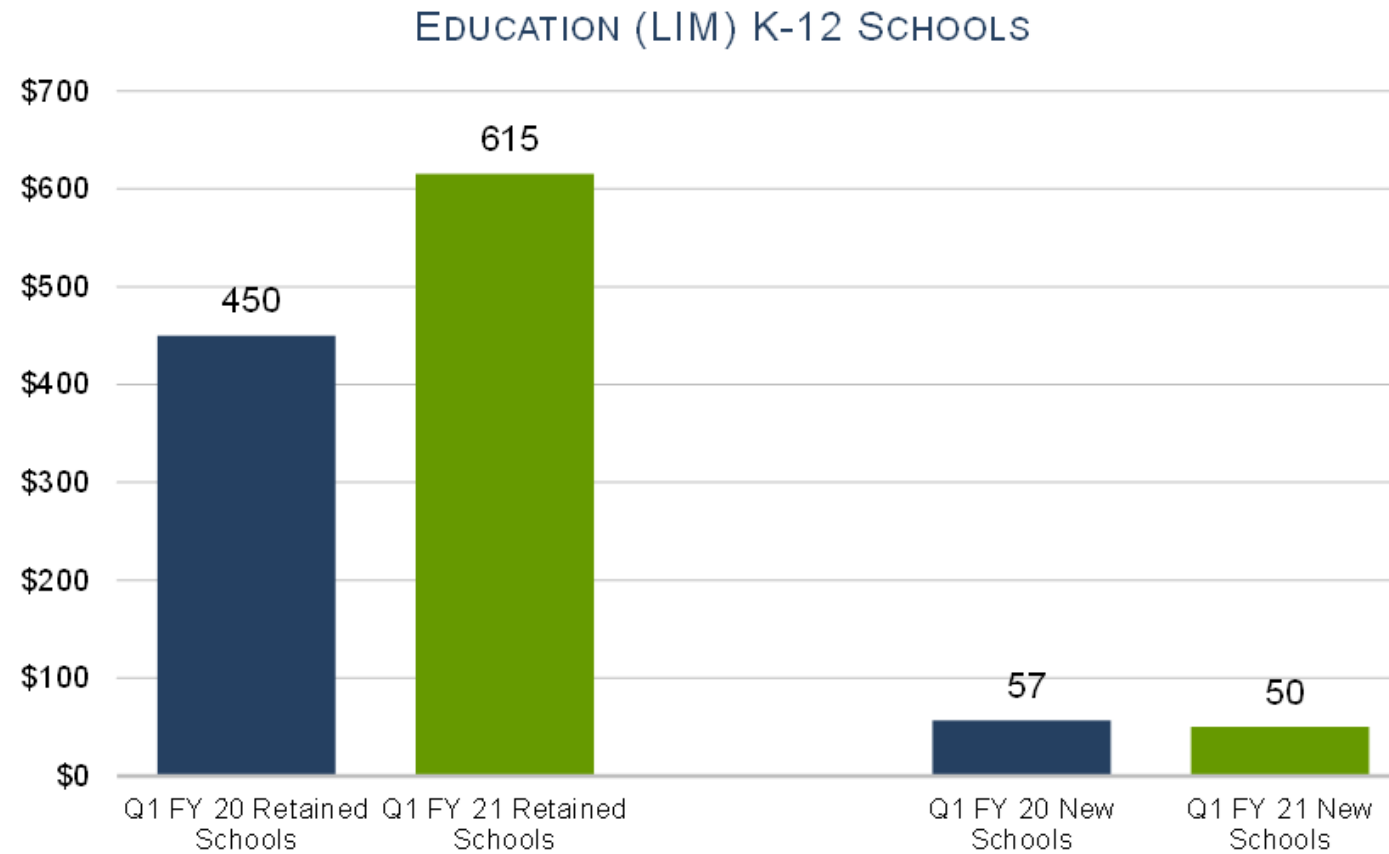
# Franklin Covey: Strong Revenue Momentum

(in millions and unaudited)





# Education Division



# Franklin Covey – Financial Summary

(in millions and unaudited)

	Q1FY21	Q1FY20	Chg	%	LTM Q1FY21	LTM Q1FY20	Chg	%
<b>Sales</b>	<b>\$ 48.3</b>	<b>\$ 58.6</b>	<b>(\$10.3)</b>	<b>-17.6%</b>	<b>\$ 188.2</b>	<b>\$ 230.1</b>	<b>(\$42.0)</b>	<b>-18.2%</b>
Cost of Sales	11.9	16.6	(4.6)	-28.0%	53.1	66.0	(13.0)	-19.6%
<b>Gross Profit</b>	<b>36.4</b>	<b>42.0</b>	<b>(5.6)</b>	<b>-13.4%</b>	<b>139.7</b>	<b>164.6</b>	<b>(24.8)</b>	<b>-15.1%</b>
Gross Profit %	75.3%	71.7%	359	bps	74.3%	71.5%	275	bps
Operating SG&A	32.7	37.1	(4.4)	-11.9%	126.7	142.2	(15.5)	-10.9%
Operating SG&A %	67.6%	63.2%	(437)	bps	67.3%	61.8%	(556)	bps
<b>Adjusted EBITDA</b>	<b>3.7</b>	<b>5.0</b>	<b>(1.2)</b>	<b>-25.1%</b>	<b>13.0</b>	<b>22.4</b>	<b>(9.4)</b>	<b>-41.8%</b>

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	
	Q1 FY21	Q1 FY20
Reported Adjusted EBITDA	\$ 3,716	\$ 4,961
Adjustments		
Change in Deferred Revenue <small>(related to subscription sales)</small>	(3,647)	(9,507)
Costs deferred with Deferred Revenue	584	1,552
Amortization of capitalized development	889	1,029
Purchases of property and equipment	(185)	(1,408)
Capitalized curriculum development costs	(263)	(458)
Cash paid for interest	(562)	(580)
Net Cash Generated	\$ 532	\$ (4,411)

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)

	Quarter Ended	
	November 30, 2020	November 30, 2019
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (892)	\$ (544)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,872	2,789
Amortization of capitalized curriculum costs	889	1,029
Stock-based compensation	1,158	1,851
Deferred income taxes	(111)	(115)
Change in fair value of contingent consideration liabilities	62	91
Amortization of right-of-use operating lease assets	259	-
Loss on disposal of assets	-	35
Changes in assets and liabilities, net of effect of acquired business:		
Decrease in accounts receivable, net	13,482	20,090
Decrease in inventories	309	328
Decrease (increase) in prepaid expenses and other assets	(176)	656
Decrease in accounts payable and accrued liabilities	(2,721)	(9,333)
Decrease in deferred revenue	(3,625)	(9,006)
Increase (decrease) in income taxes payable/receivable	(111)	(1,029)
Decrease in other long-term liabilities	(519)	(6)
Net cash provided by operating activities	10,876	6,836

# Franklin Covey – Financial Summary

(in millions and unaudited)

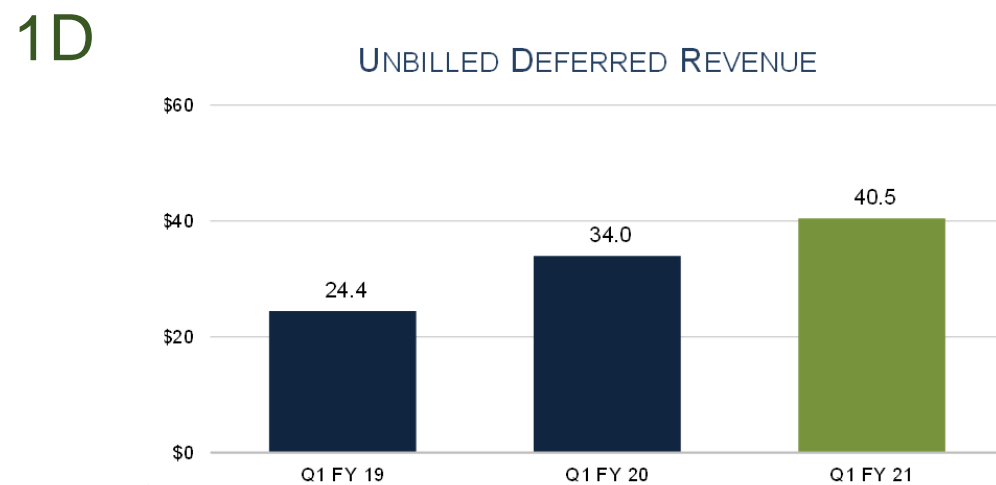
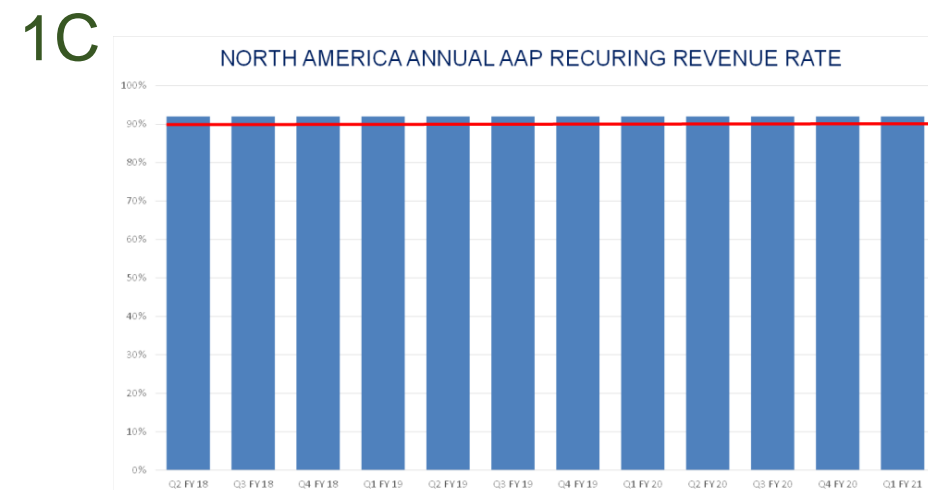
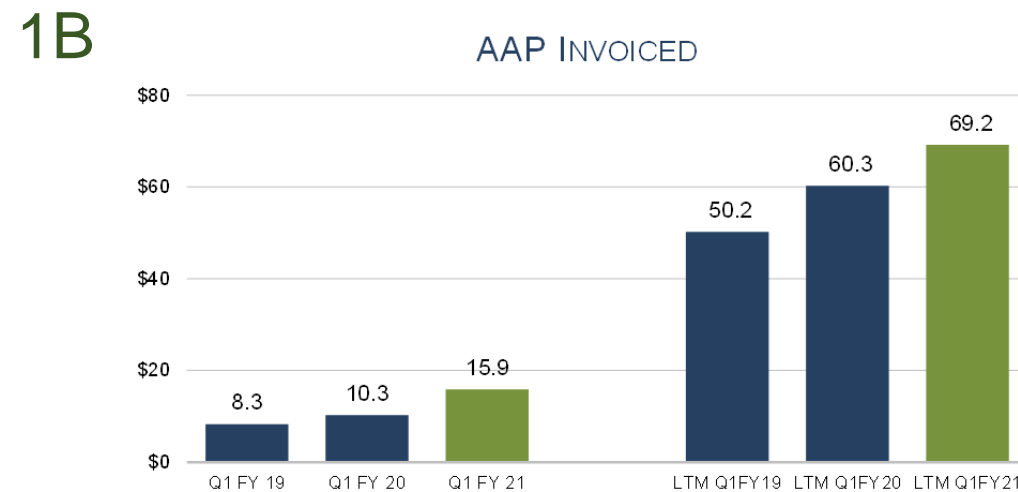
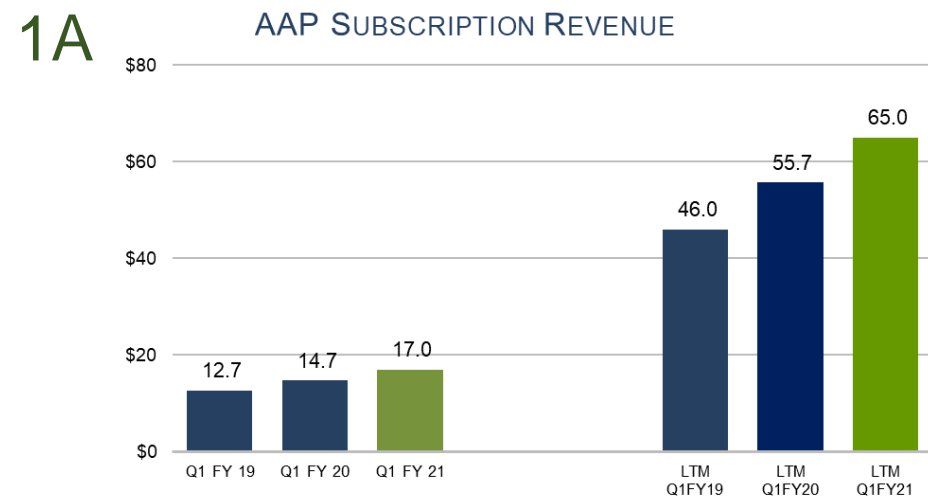
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Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.



# Franklin Covey: Strong Revenue Momentum

(in millions and unaudited)



# Franklin Covey – Financial Summary

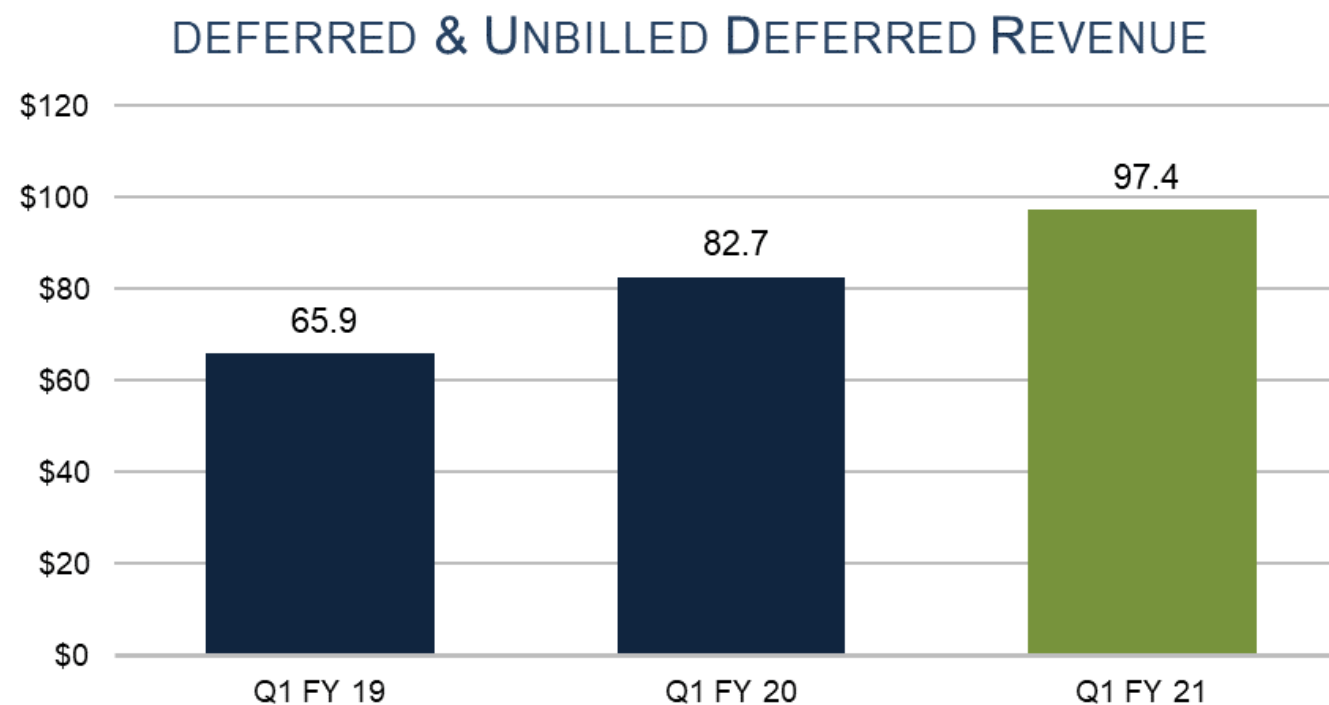
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# Subscription Business Strong & Durable

(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 Growth Drivers

1

STRENGTH OF THE  
ALL ACCESS PASS  
ECONOMIC  
GROWTH ENGINE

2

MAKING  
SIGNIFICANT  
ONGOING  
INVESTMENTS IN  
THE AREAS WHICH  
OUR CUSTOMERS  
VALUE MOST

3

STRENGTH OF OUR  
ORGANIZATION



# Three Growth Drivers

1

STRENGTH OF THE  
ALL ACCESS PASS  
ECONOMIC  
GROWTH ENGINE

2

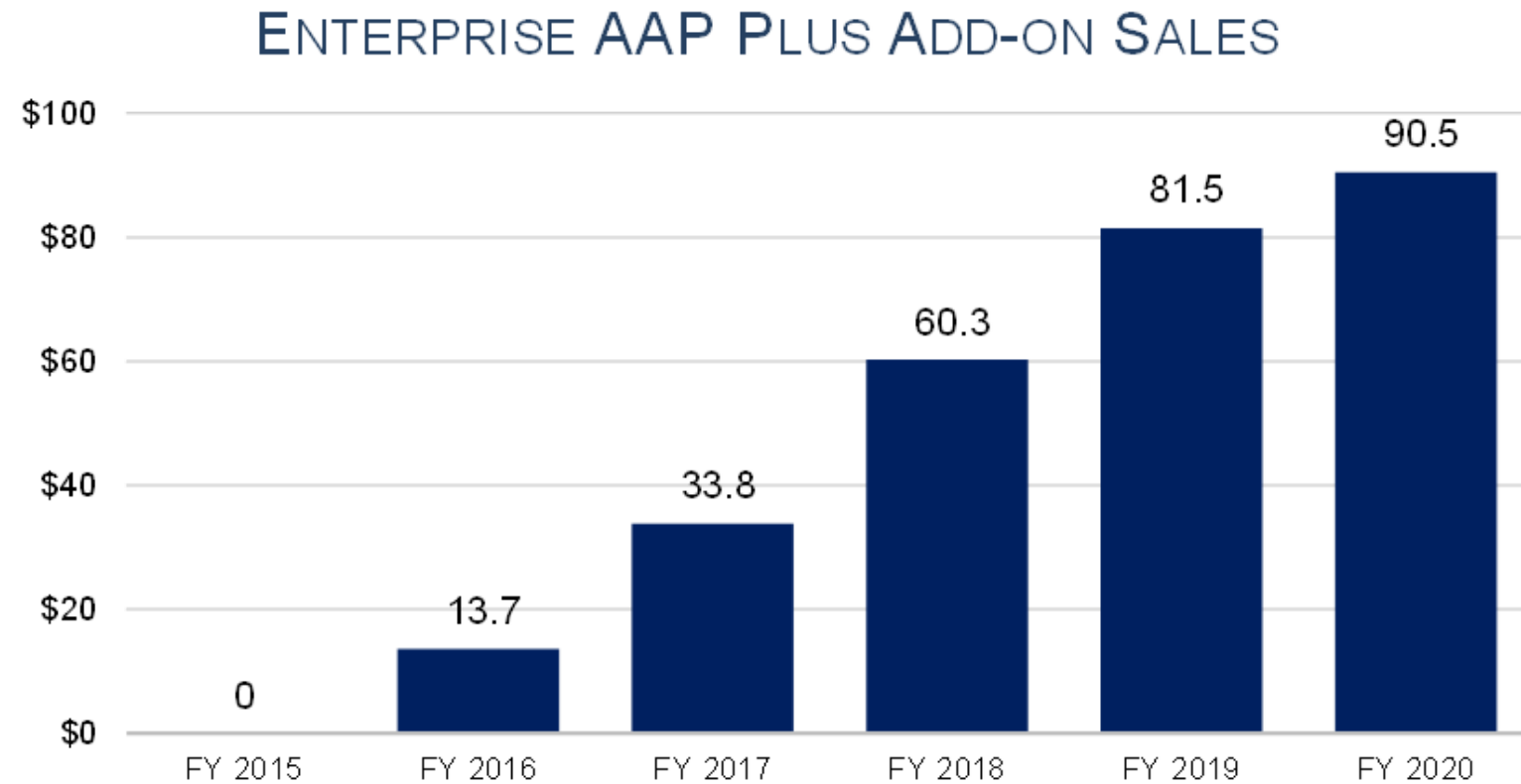
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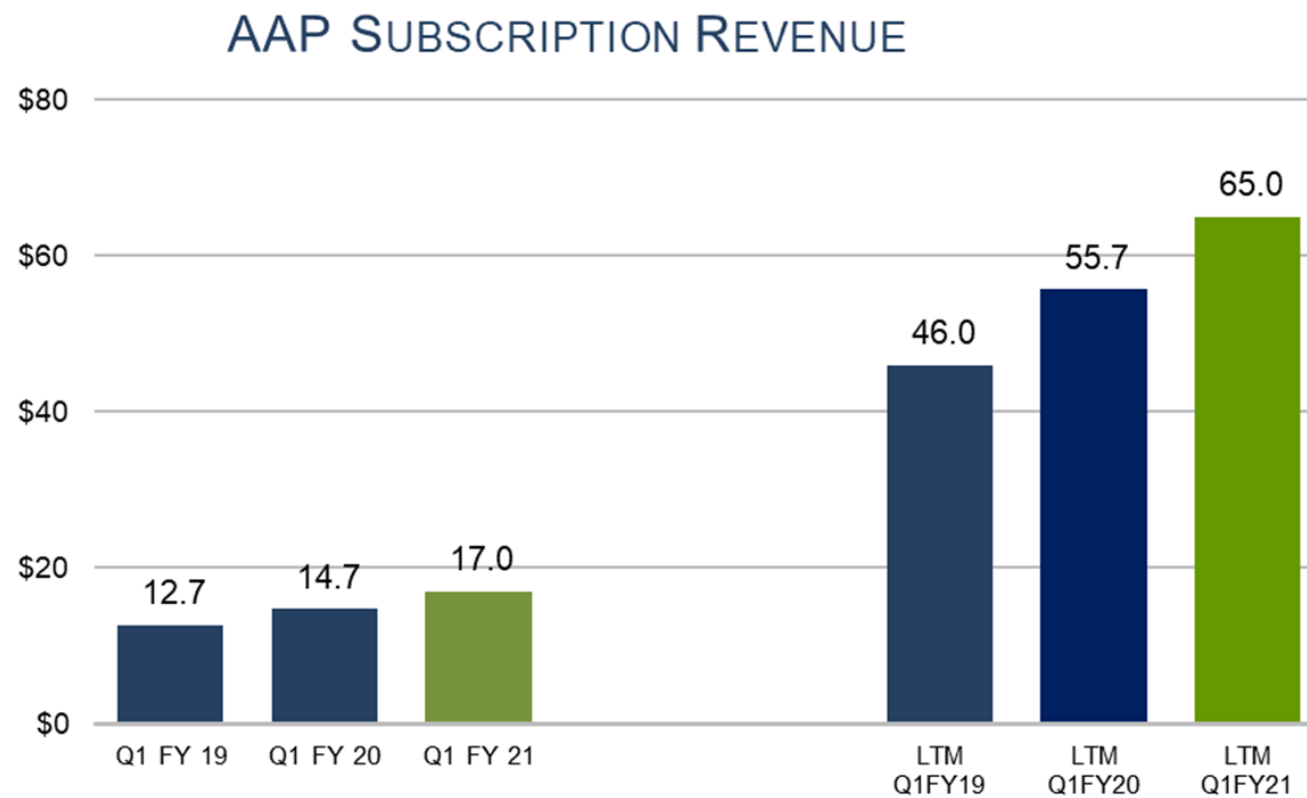
# All Access Pass

(in millions and unaudited)



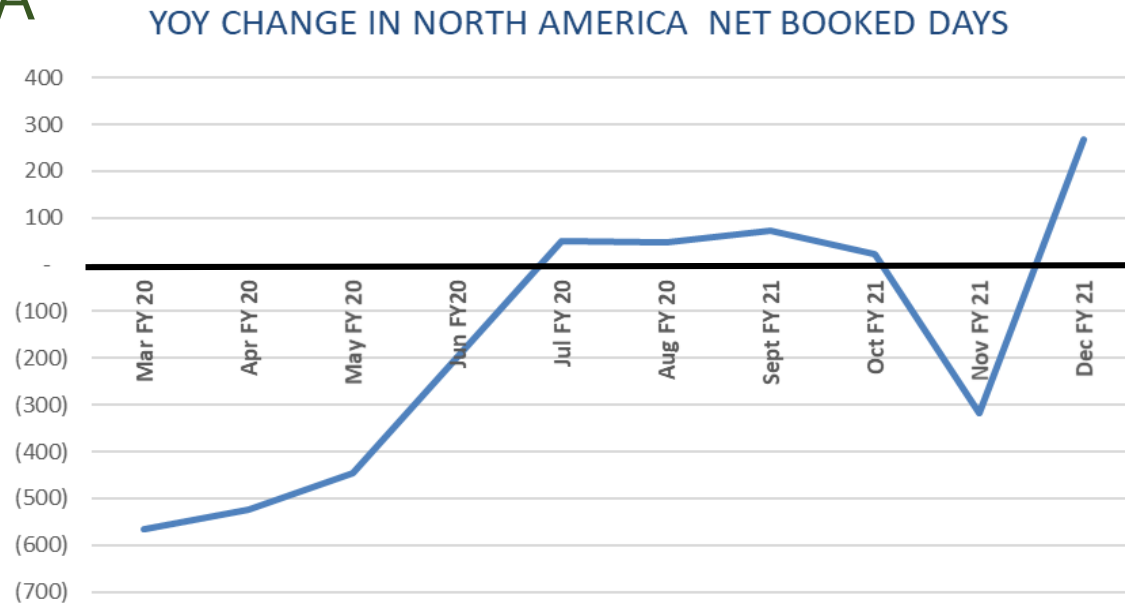
# AAP Subscription Sales Growth

(in millions and unaudited)



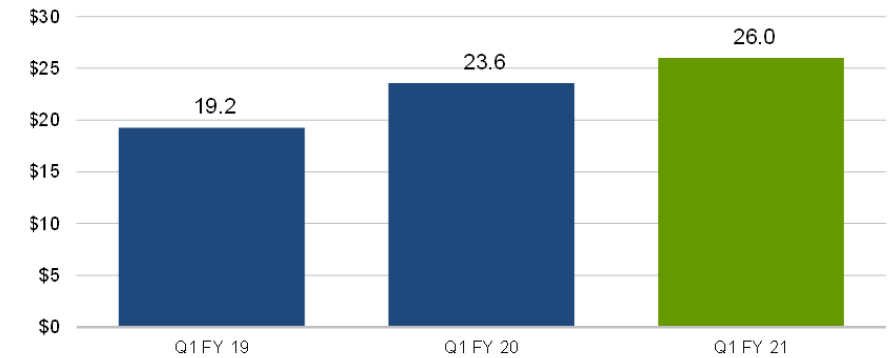
# US/Canada Booking Pace

1A



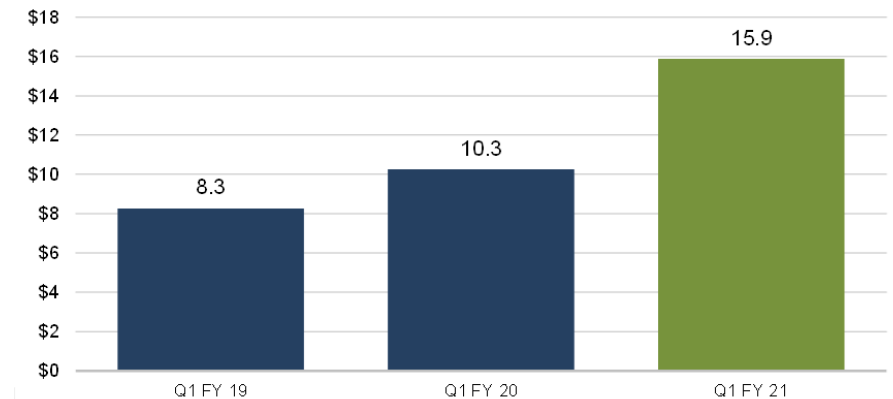
1B

AAP PLUS ADD-ON SALES



1C

AAP INVOICED



# AAP Extremely Compelling Business Model Economics

1. Strong gross margins
2. Reduction in Operating Costs as percent of sales
3. High flow-through of incremental revenue to incremental Adjusted EBITDA
4. Strong visibility and predictability



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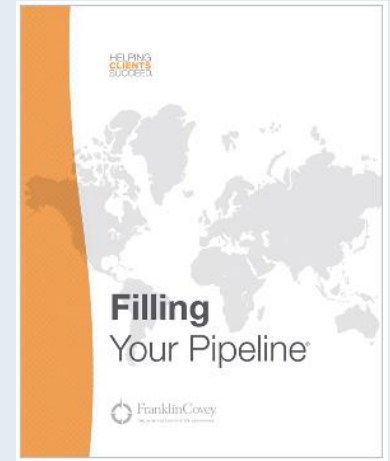
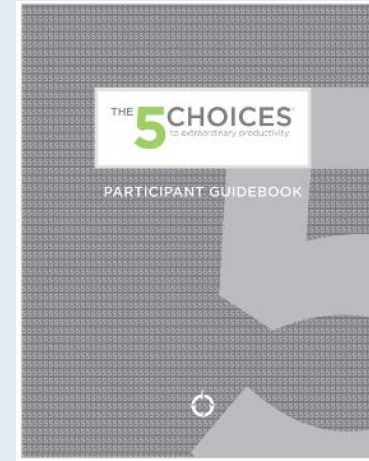
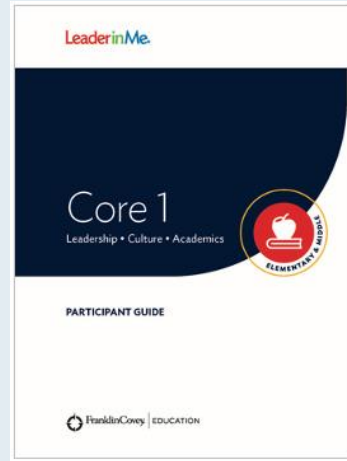
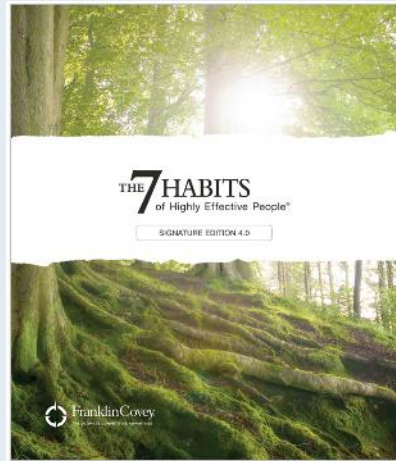
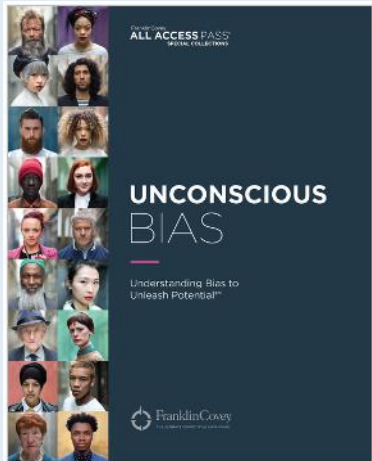
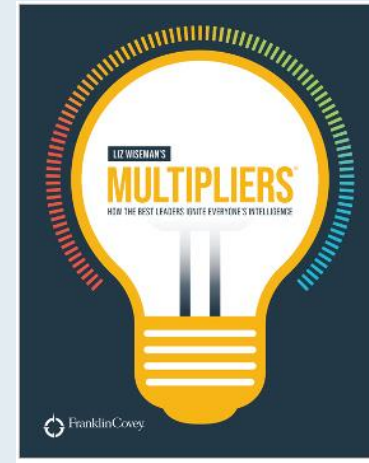
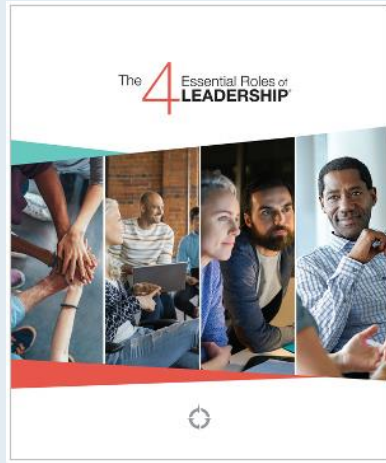
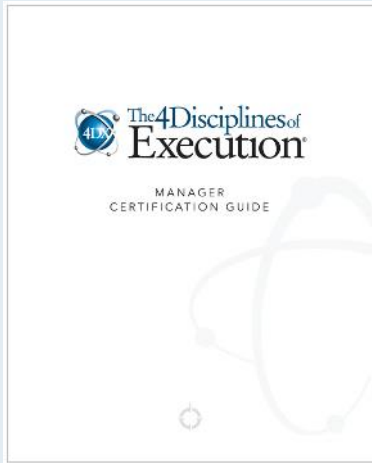
## 4 Strategic Moats



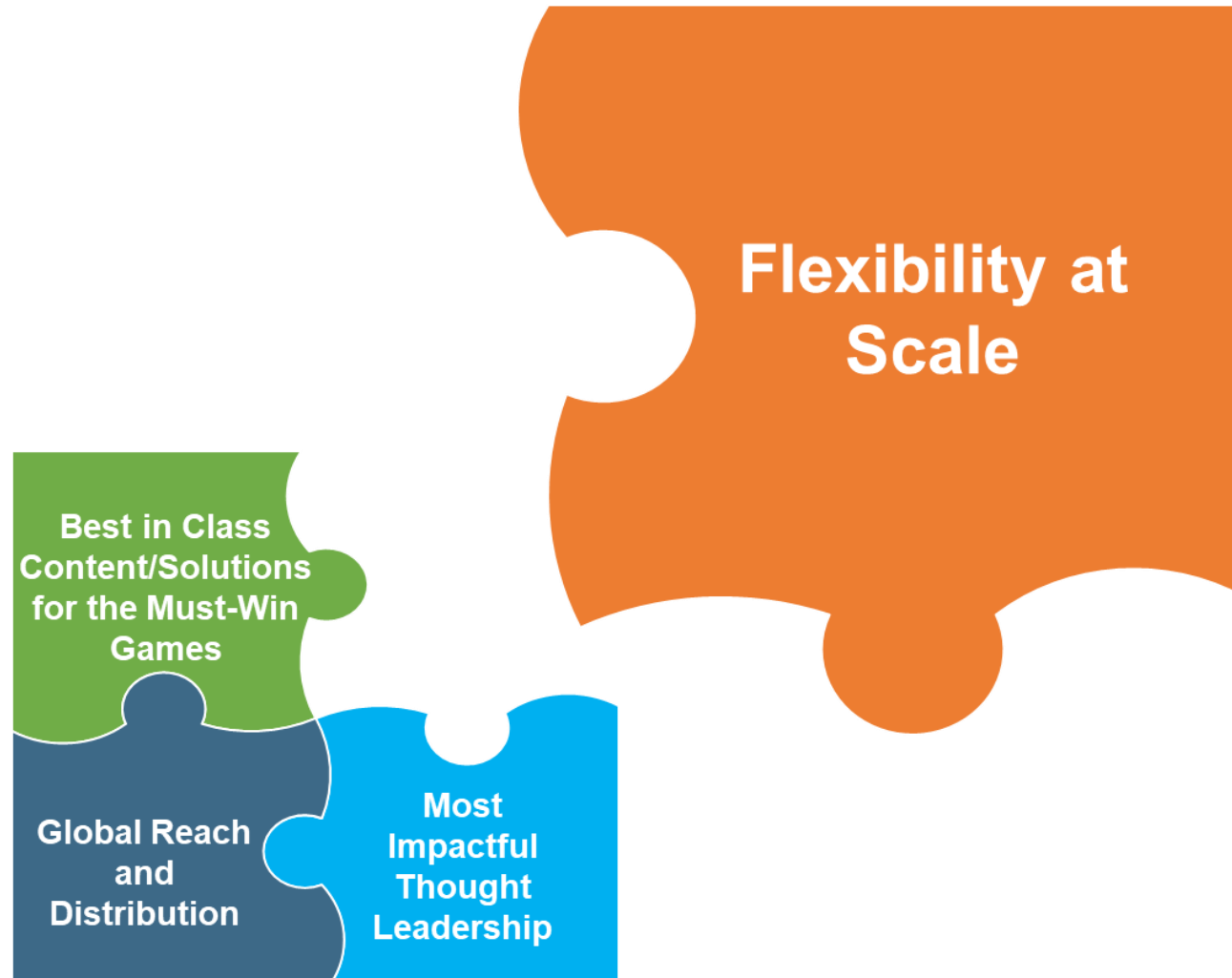
# Strategic Moat #1: Best-in-Class Solutions



# Strategic Moat #1: Best-in-Class Solutions

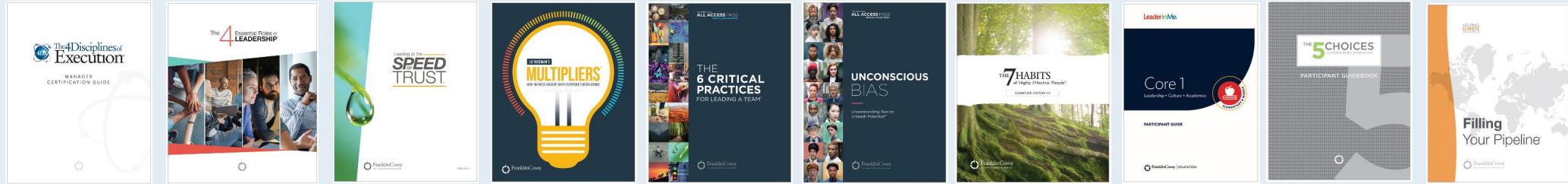


## Strategic Moat #2: Flexibility at Scale





# Strategic Moat #2: Flexibility at Scale



## Digital – On-Demand:

- On demand digital content

## Microlearning:

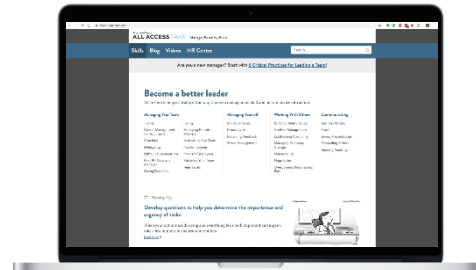
- Hour long training courses

## Live – In-Person:

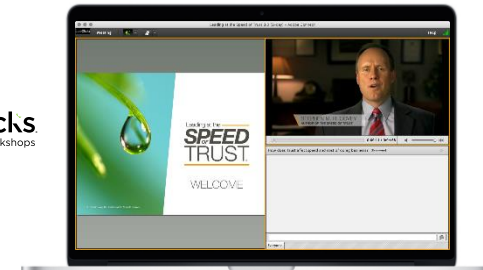
- Conference room training sessions

## Live – Virtual:

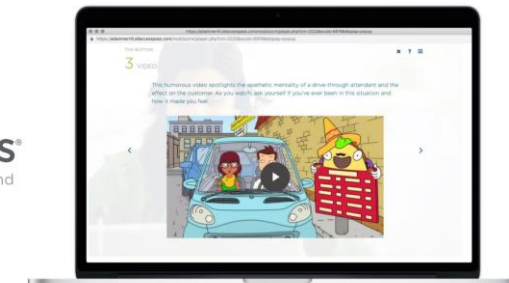
- Video conferencing with instructor



LiveClicks  
webinar workshops



FranklinCovey  
InSights  
on demand

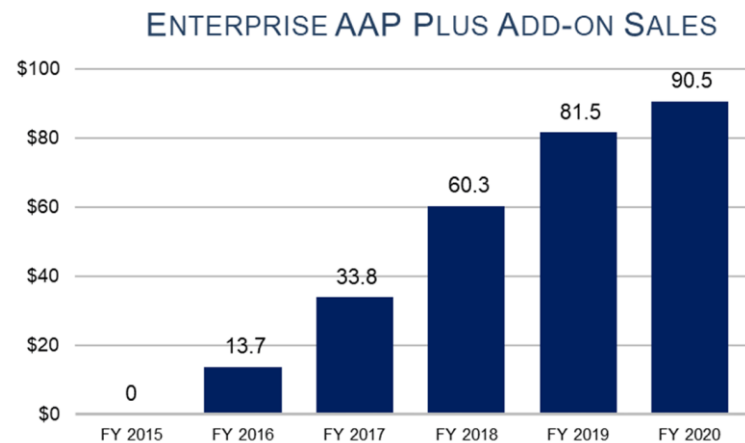


- ✓ 21 languages
- ✓ Desirable delivery modalities
- ✓ Implementation services
- ✓ Coaching and delivery services
- ✓ Best solutions for institutionalized behavioral change

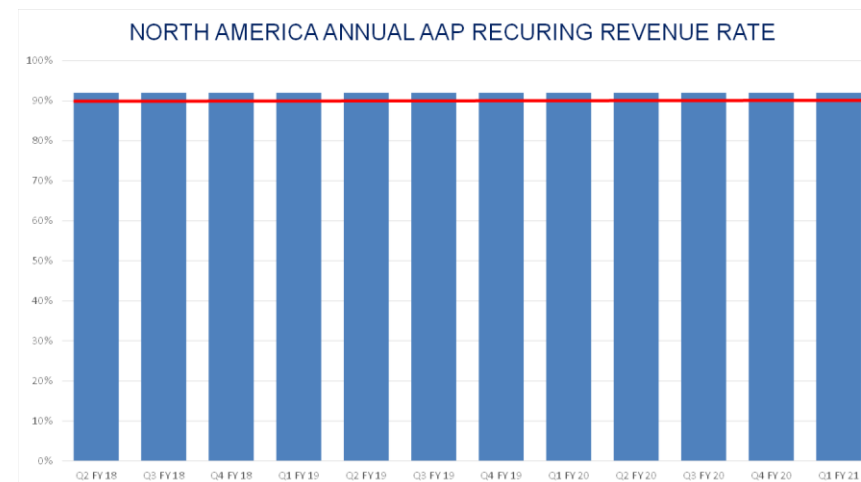
# Strategic Moat #2: Flexibility at Scale

(in millions and unaudited)

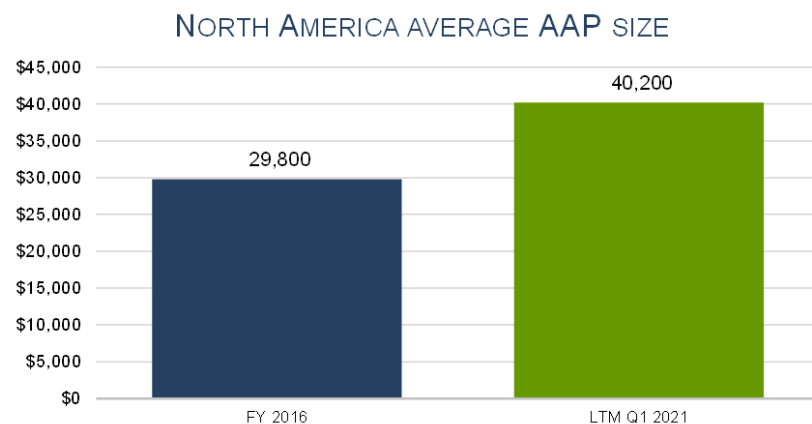
1A



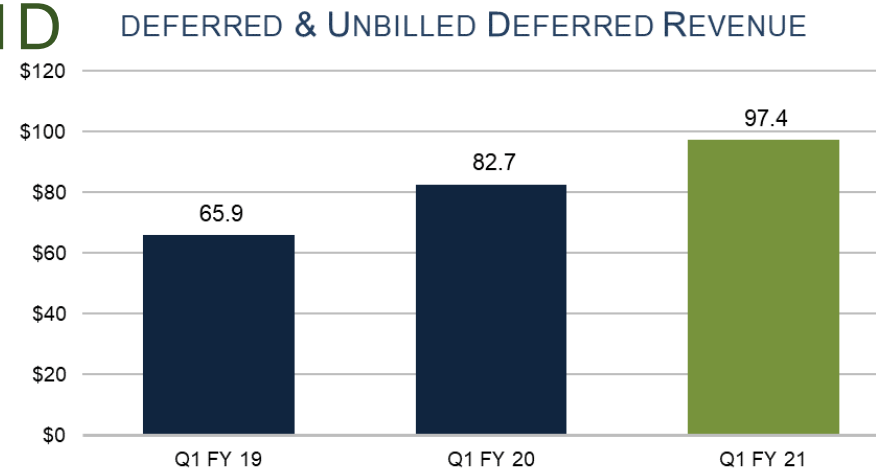
1B



1C



1D

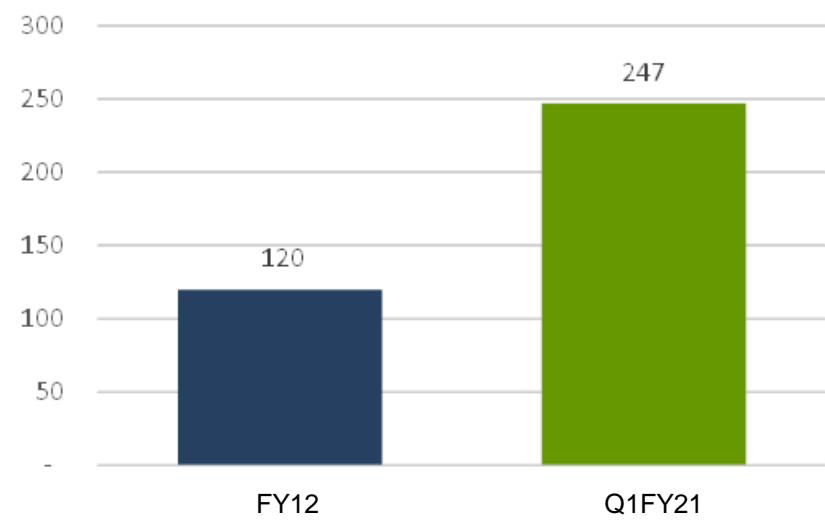


# Strategic Moat #3: Global Reach and Distribution

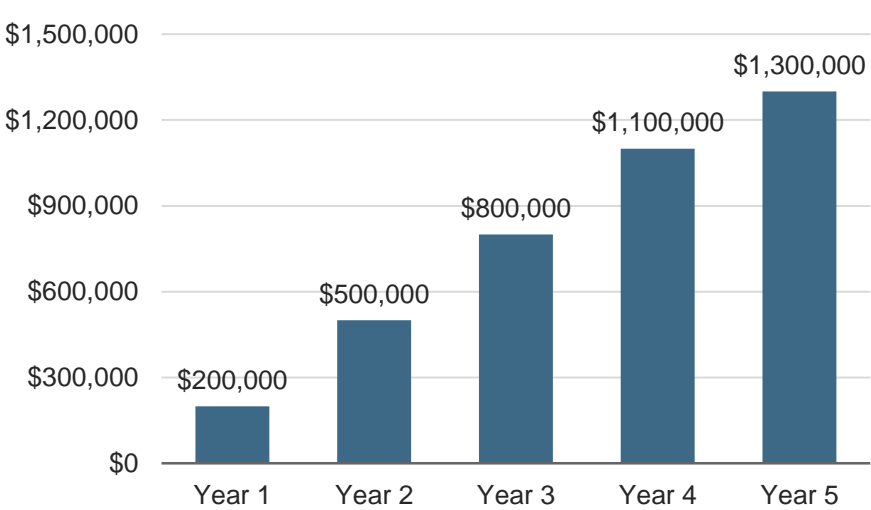


# Global Reach and Distribution

NUMBER OF CLIENT PARTNERS

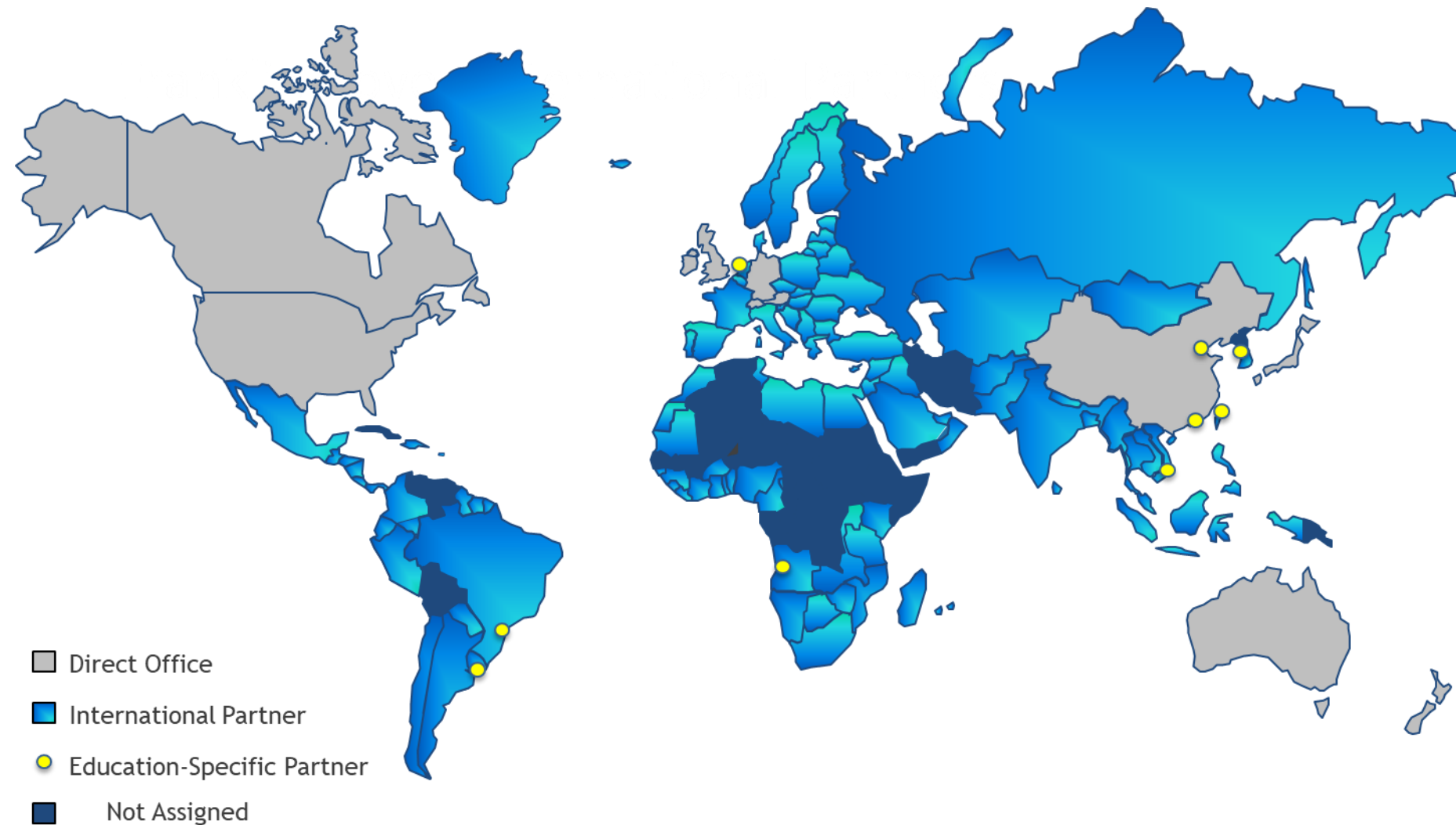


CLIENT PARTNER RAMP\*



\*See Client Partner ramp definition in Appendix.

# Global Reach and Distribution



## Strategic Moat #4: Most Impactful Thought Leadership



# Most Impactful Thought Leadership



# Three Growth Drivers

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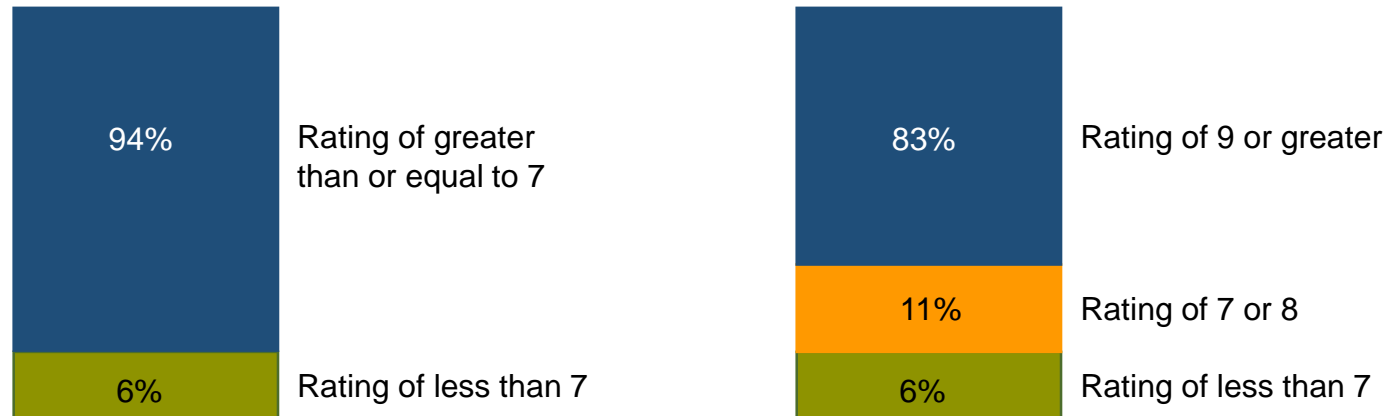
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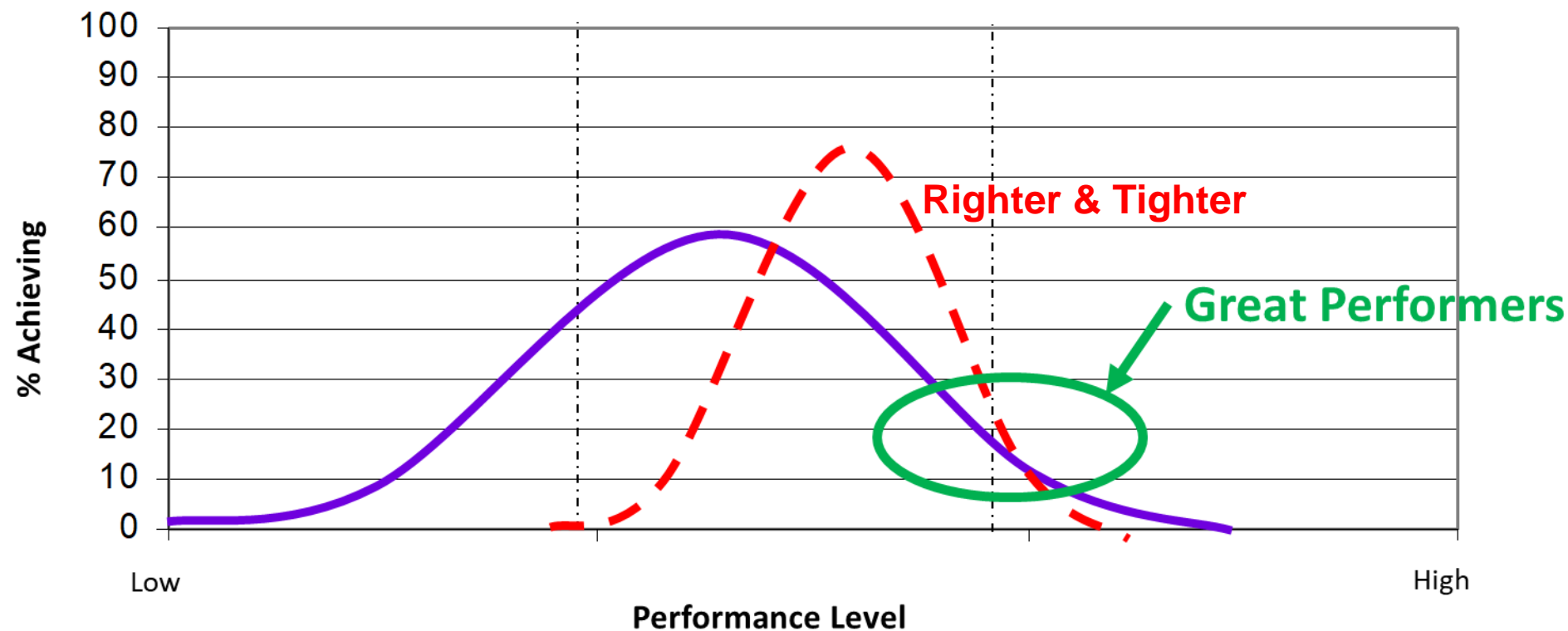
# Strength of Organization

**How likely are you to recommend your immediate team leader/manager as a great person to work for?**

- 94% of employees responded with a rating of 7 or higher on this question
- 83% of employees responded with a rating of 9 or 10

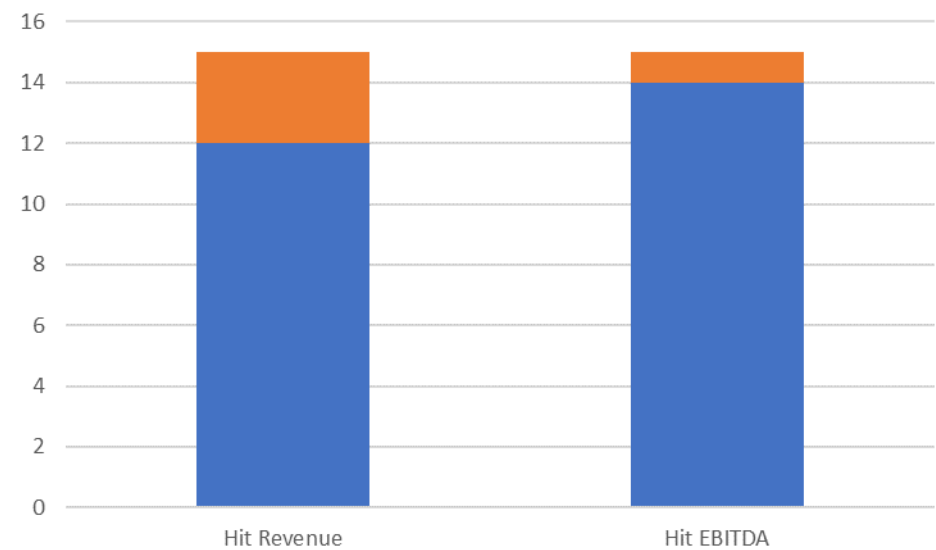


# Strength of Organization



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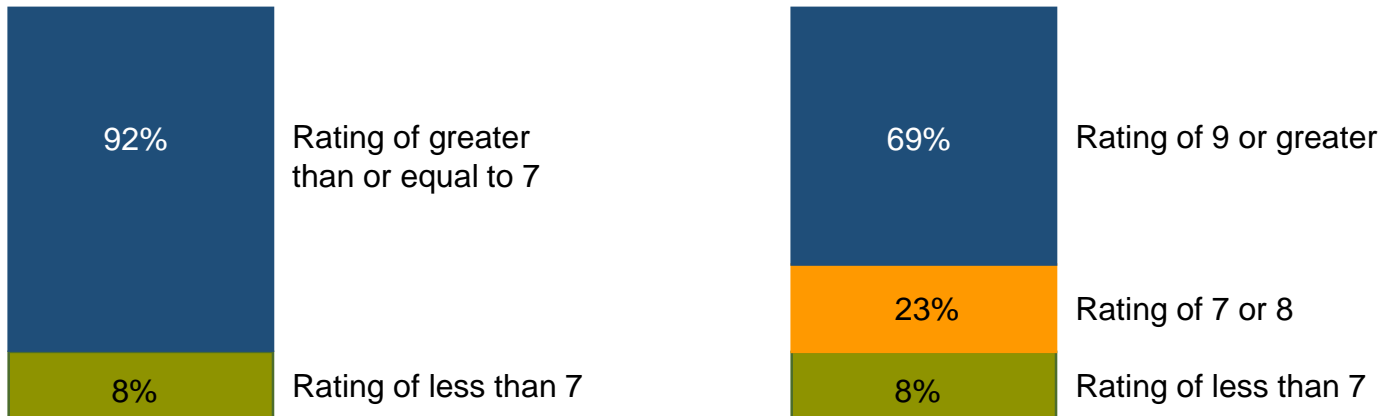
Of 15 Franklin Covey MDs, in the Enterprise Division, 12 hit their revenue goal. Of those same 15 leaders, 14 hit their EBITDA goal for the fiscal year 2020.



# Strength of Organization

## To what extent do you agree Franklin Covey is a Great Place to Work?

- 92% of employees responded with a rating of 7 or higher on this question
- 69% of employees responded with a rating of 9 or 10



# 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: expected to total approximately \$8.0M in FY2021.
- Effective Tax Rate: Our normalized effective 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: 14,036K shares outstanding as of December 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: 247 on November 30, 2020.
- Impact of FX in FY21: increase of Sales \$0.3M in Q1; insignificant increase to Adjusted EBITDA.

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



# Franklin Covey – Financial Summary

(in millions and unaudited)

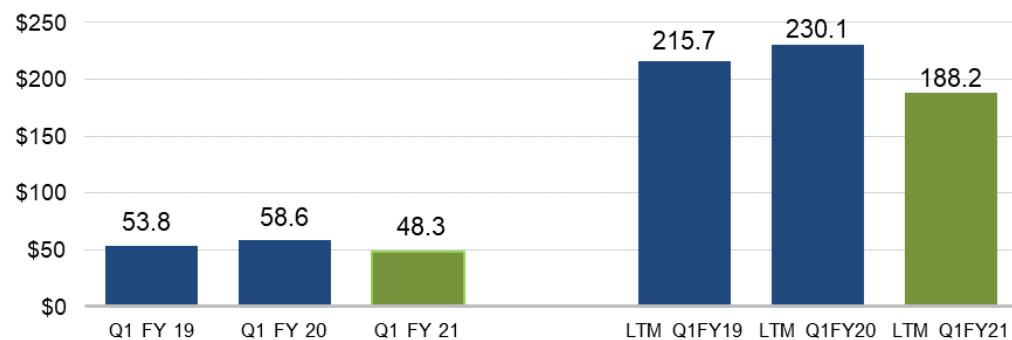
	Q1FY21	Q1FY20	Chg	%	LTM Q1FY21	LTM Q1FY20	Chg	%
<b>Sales</b>	<b>\$ 48.3</b>	<b>\$ 58.6</b>	<b>(\$10.3)</b>	<b>-17.6%</b>	<b>\$ 188.2</b>	<b>\$ 230.1</b>	<b>(\$42.0)</b>	<b>-18.2%</b>
Cost of Sales	11.9	16.6	(4.6)	-28.0%	53.1	66.0	(13.0)	-19.6%
<b>Gross Profit</b>	<b>36.4</b>	<b>42.0</b>	<b>(5.6)</b>	<b>-13.4%</b>	<b>139.7</b>	<b>164.6</b>	<b>(24.8)</b>	<b>-15.1%</b>
Gross Profit %	75.3%	71.7%	359	bps	74.3%	71.5%	275	bps
Operating SG&A	32.7	37.1	(4.4)	-11.9%	126.7	142.2	(15.5)	-10.9%
Operating SG&A %	67.6%	63.2%	(437)	bps	67.3%	61.8%	(556)	bps
<b>Adjusted EBITDA</b>	<b>3.7</b>	<b>5.0</b>	<b>(1.2)</b>	<b>-25.1%</b>	<b>13.0</b>	<b>22.4</b>	<b>(9.4)</b>	<b>-41.8%</b>

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.

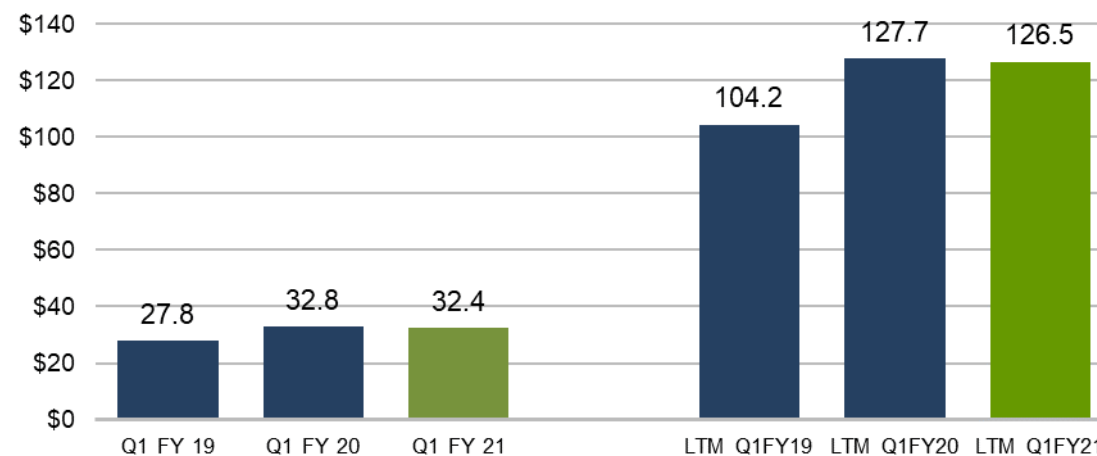
# Franklin Covey: Strong Revenue Momentum

(in millions and unaudited)

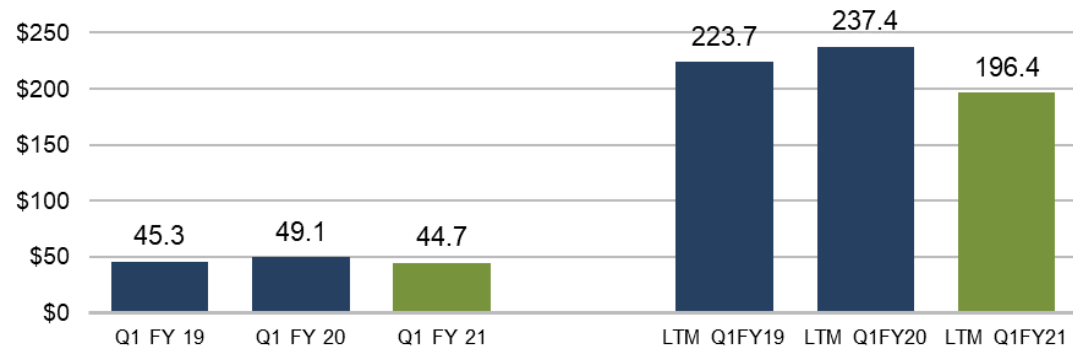
## SALES



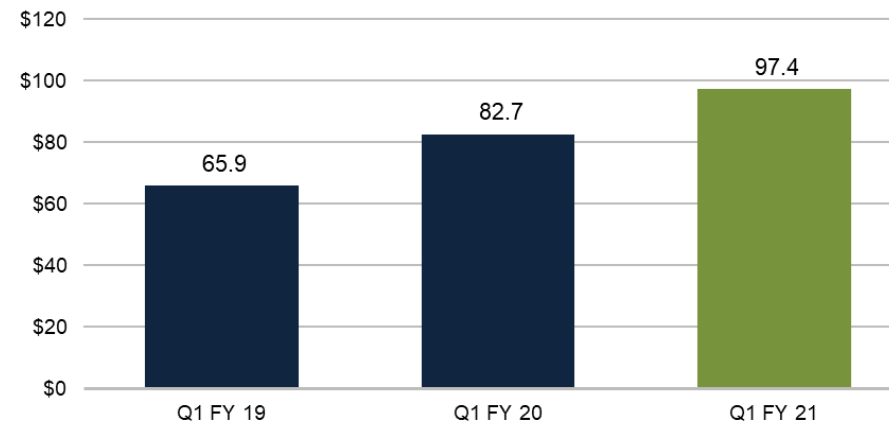
## SUBSCRIPTION AND RELATED SALES



## INVOICED

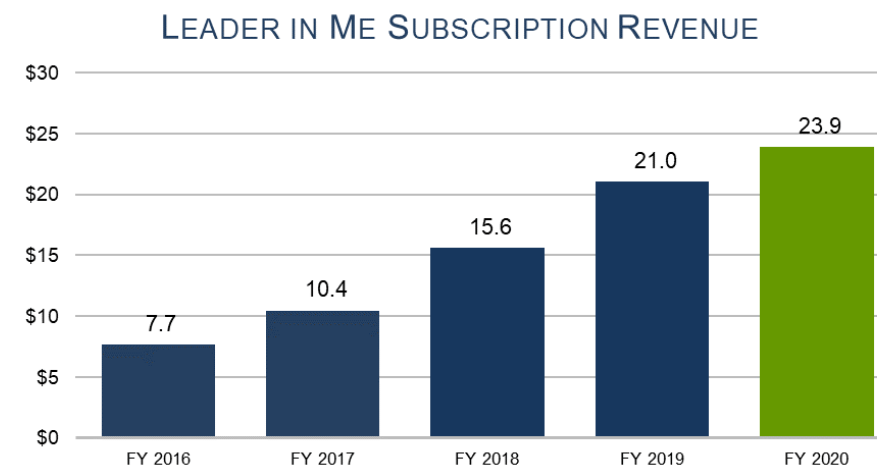
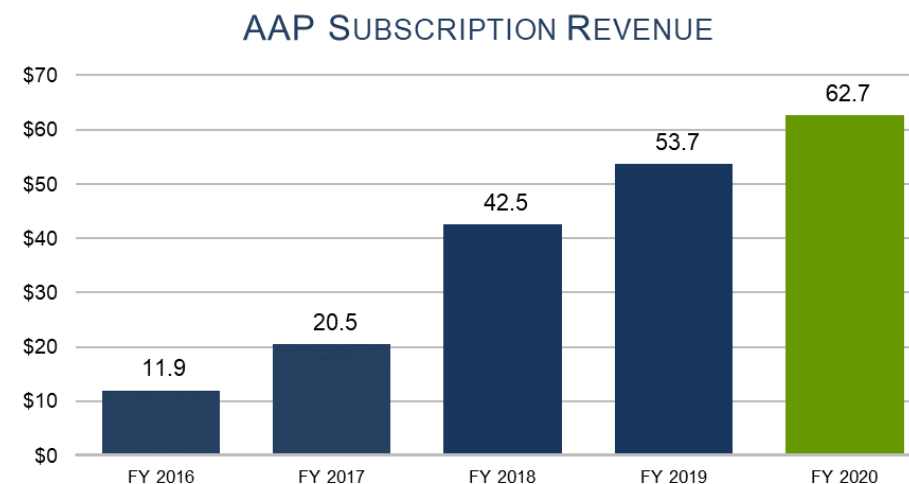
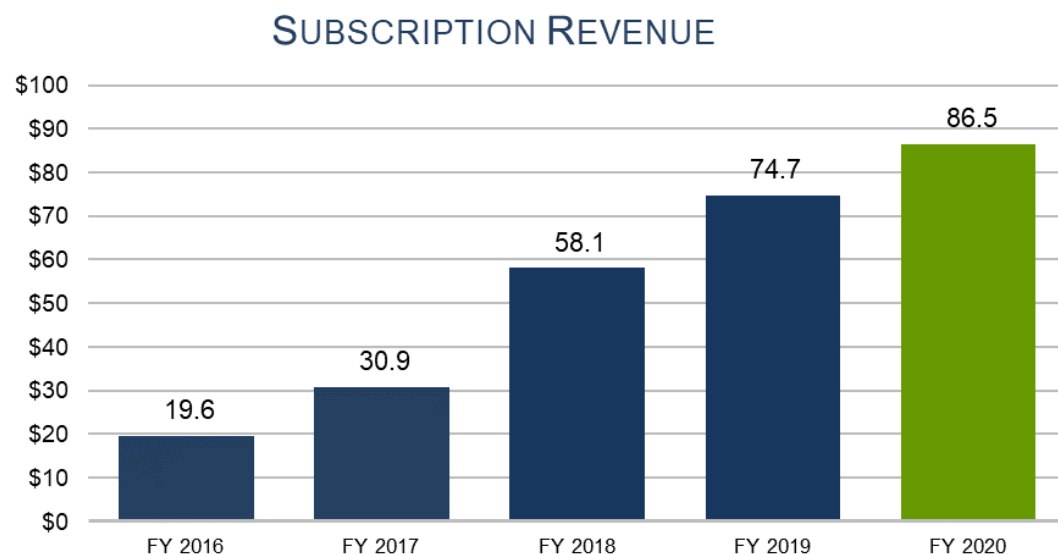


## DEFERRED & UNBILLED DEFERRED REVENUE



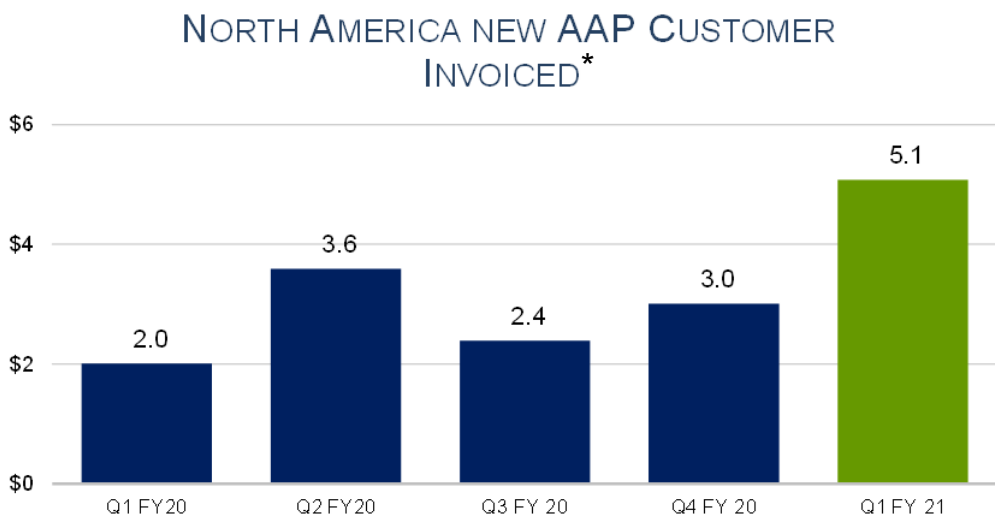
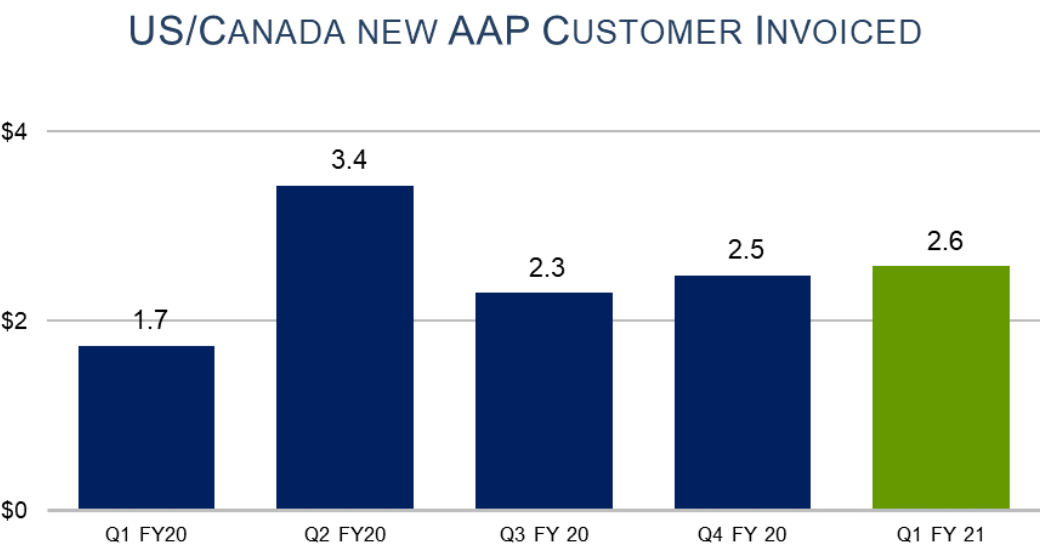
# Trends in the Business

(in millions and unaudited)



# AAP Growth Engine

(in millions and unaudited)



\*In Q1FY21 the Company entered into a one year \$2.2M contract with a Governmental Agency that is not expected to repeat in subsequent years.

# Enterprise Division - Financial Summary

(in millions and unaudited)

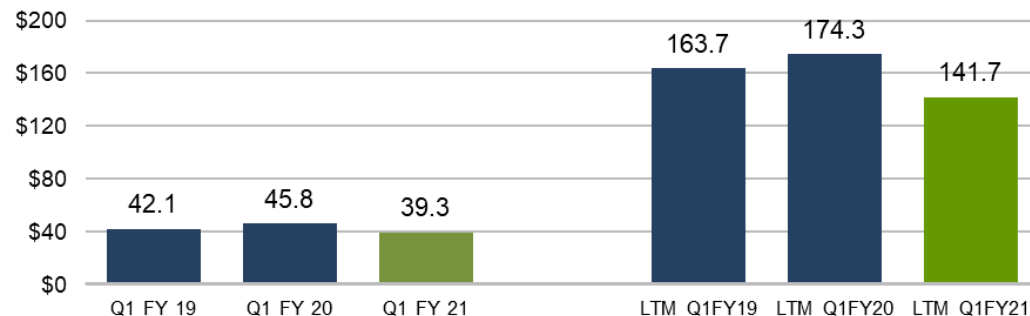
	Q1FY21	Q1FY20	Chg	%	LTM Q1FY21	LTM Q1FY20	Chg	%
<b>Sales</b>	<b>\$ 39.3</b>	<b>\$ 45.8</b>	<b>(\$6.5)</b>	<b>-14.2%</b>	<b>\$ 141.7</b>	<b>\$ 174.3</b>	<b>(\$32.6)</b>	<b>-18.7%</b>
Cost of Sales	7.6	11.3	(3.7)	-32.6%	29.7	42.7	(13.0)	-30.5%
<b>Gross Profit</b>	<b>31.7</b>	<b>34.5</b>	<b>(2.8)</b>	<b>-8.1%</b>	<b>112.0</b>	<b>131.6</b>	<b>(19.6)</b>	<b>-14.9%</b>
Gross Profit %	80.6%	75.3%	530	bps	79.0%	75.5%	355	bps
Operating SG&A	23.7	26.8	(3.0)	-11.4%	91.7	103.6	(11.9)	-11.5%
Operating SG&A %	60.3%	58.4%	(189)	bps	64.7%	59.4%	(526)	bps
<b>Adjusted EBITDA</b>	<b>8.0</b>	<b>7.7</b>	<b>0.2</b>	<b>3.1%</b>	<b>20.3</b>	<b>28.0</b>	<b>(7.7)</b>	<b>-27.4%</b>

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.

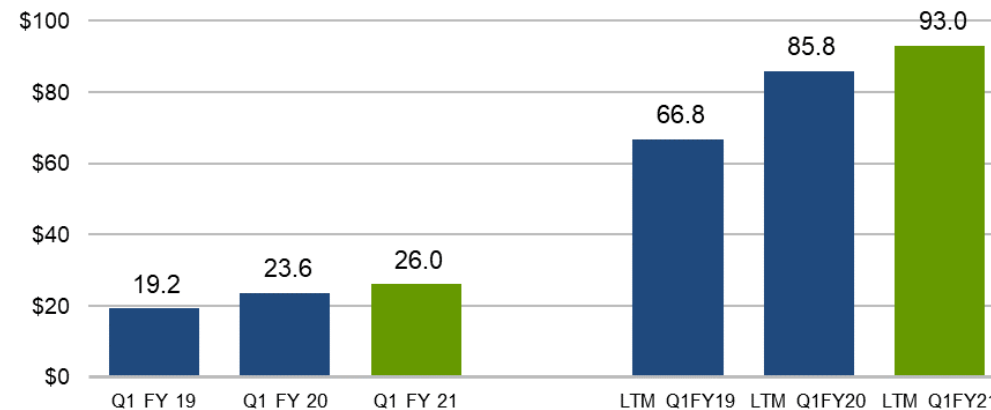
# Enterprise Division - Strong Revenue Momentum

(in millions and unaudited)

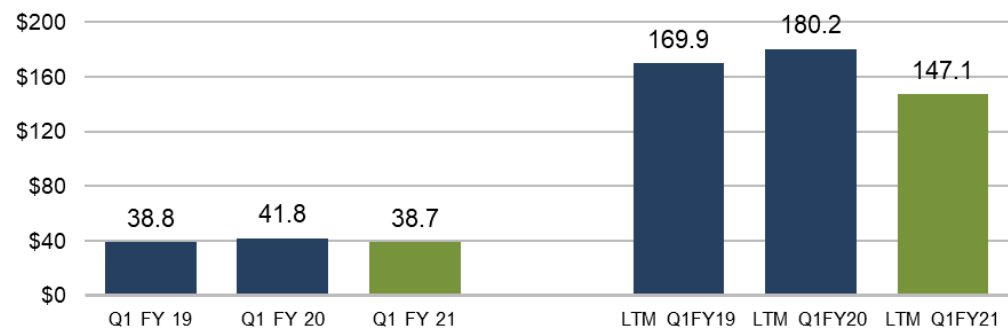
## SALES



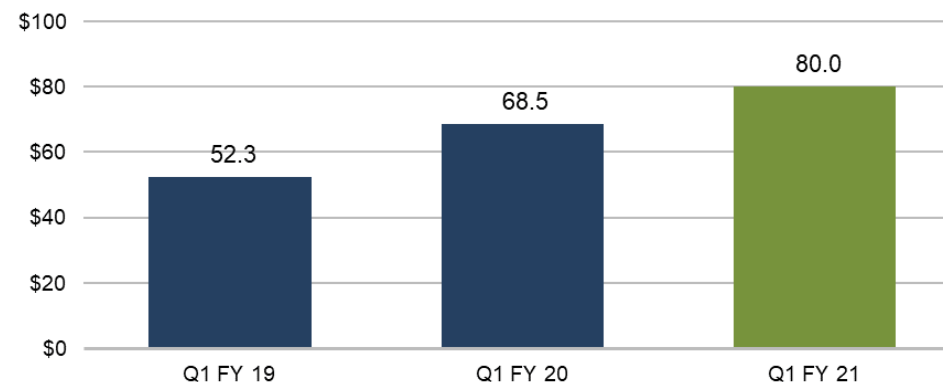
## AAP PLUS ADD-ON SALES



## INVOICED



## DEFERRED & UNBILLED DEFERRED REVENUE



# Enterprise Division - AAP & Related Revenue Growing Rapidly

(in millions and unaudited)

	<i>Fiscal 2020</i>	<i>Fiscal 2019</i>
AAP Sales	\$65.0	\$55.7
AAP Add on Sales*	28.0	30.2
<b>Total AAP and Related</b>	<b>93.0</b>	<b>85.8</b>
<b>Percent of AAP and Related Sales to Total Enterprise Sales</b>	<b>66%</b>	<b>49%</b>
Legacy Sales	25.8	52.8
International licensees	7.3	12.9
Other Sales	15.7	22.8
<b>Total Enterprise Sales</b>	<b>\$141.7</b>	<b>\$174.3</b>

	<i>Fiscal 2020</i>	<i>Fiscal 2019</i>
North America Sales	\$103.3	\$108.4
International Direct Office Sales	28.3	39.1
Other Sales	8.1	10.2
<b>Total Direct Office Division Sales</b>	<b>139.8</b>	<b>157.8</b>
International Licensees	8.5	12.9
<b>Total Enterprise Sales</b>	<b>\$148.2</b>	<b>\$170.6</b>

<i>Q1FY 21</i>	<i>Q4 FY20</i>	<i>Q3 FY20</i>	<i>Q2 FY20</i>	<i>Q1 FY 20</i>
\$17.0	\$16.0	\$16.4	\$15.5	\$14.7
9.0	6.6	4.4	7.9	8.9
<b>26.0</b>	<b>22.7</b>	<b>20.8</b>	<b>23.4</b>	<b>23.6</b>
<b>66%</b>	<b>66%</b>	<b>76%</b>	<b>58%</b>	<b>51%</b>
5.8	6.2	3.4	10.4	12.8
2.6	1.3	0.7	2.7	3.7
5.0	4.0	2.5	4.1	5.7
<b>\$39.3</b>	<b>\$34.3</b>	<b>\$27.5</b>	<b>\$40.7</b>	<b>\$45.8</b>

<i>Q1FY 21</i>	<i>Q4 FY20</i>	<i>Q3 FY20</i>	<i>Q2 FY20</i>	<i>Q1 FY 20</i>
\$27.4	\$25.7	\$21.6	\$27.1	\$28.9
7.3	5.7	3.4	8.2	11.1
2.0	1.6	1.8	2.6	2.1
<b>36.7</b>	<b>32.9</b>	<b>26.8</b>	<b>38.0</b>	<b>42.1</b>
2.6	1.3	0.7	2.7	3.7
<b>\$39.3</b>	<b>\$34.3</b>	<b>\$27.5</b>	<b>\$40.7</b>	<b>\$45.8</b>

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)

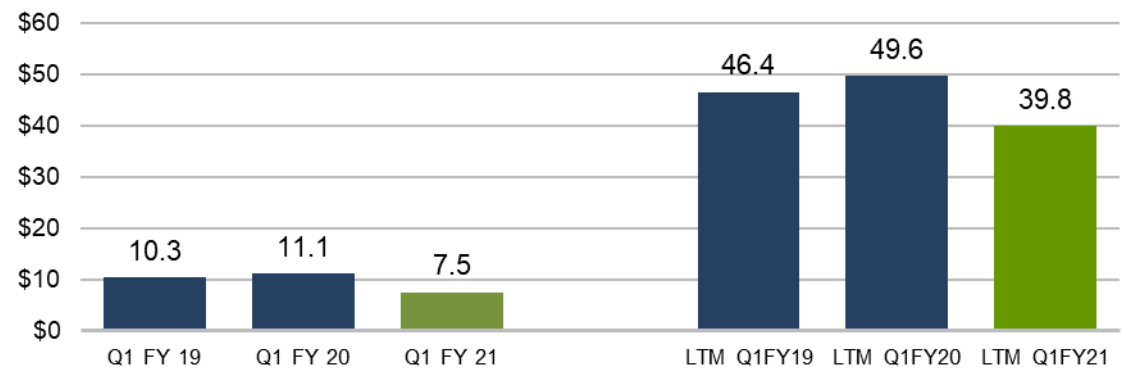
	Q1FY21	Q1FY20	Chg	%	LTM Q1FY21	LTM Q1FY20	Chg	%
<b>Sales</b>	<b>\$ 7.5</b>	<b>\$ 11.1</b>	<b>(\$3.6)</b>	<b>-32.3%</b>	<b>\$ 39.8</b>	<b>\$ 49.6</b>	<b>(\$9.8)</b>	<b>-19.7%</b>
Cost of Sales	3.5	4.4	(0.9)	-20.7%	15.4	19.0	(3.6)	-18.9%
<b>Gross Profit</b>	<b>4.0</b>	<b>6.7</b>	<b>(2.7)</b>	<b>-40.1%</b>	<b>24.4</b>	<b>30.6</b>	<b>(6.2)</b>	<b>-20.3%</b>
Gross Profit %	53.2%	60.1%	(690)	bps	61.3%	61.7%	(40)	bps
Operating SG&A	6.3	7.8	(1.5)	-19.2%	25.7	27.9	(2.2)	-8.0%
Operating SG&A %	83.6%	70.0%	(1,362)	bps	64.5%	56.3%	(826)	bps
<b>Adjusted EBITDA</b>	<b>(2.3)</b>	<b>(1.1)</b>	<b>(1.2)</b>	<b>107.2%</b>	<b>(1.3)</b>	<b>2.7</b>	<b>(4.0)</b>	<b>-146.8%</b>

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.

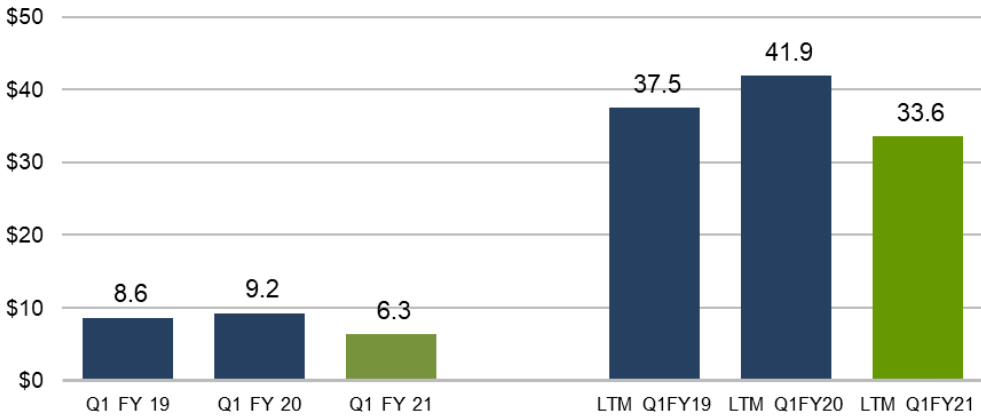
# Education Division - Strong Revenue Momentum

(in millions and unaudited)

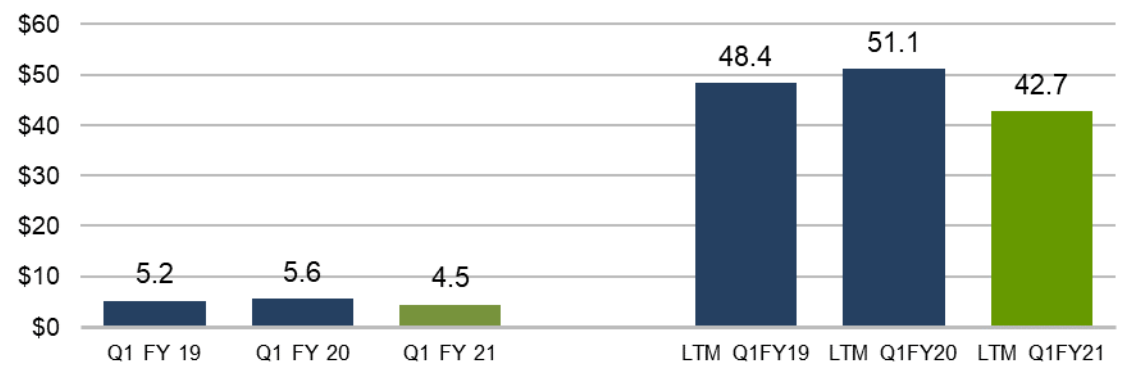
## SALES



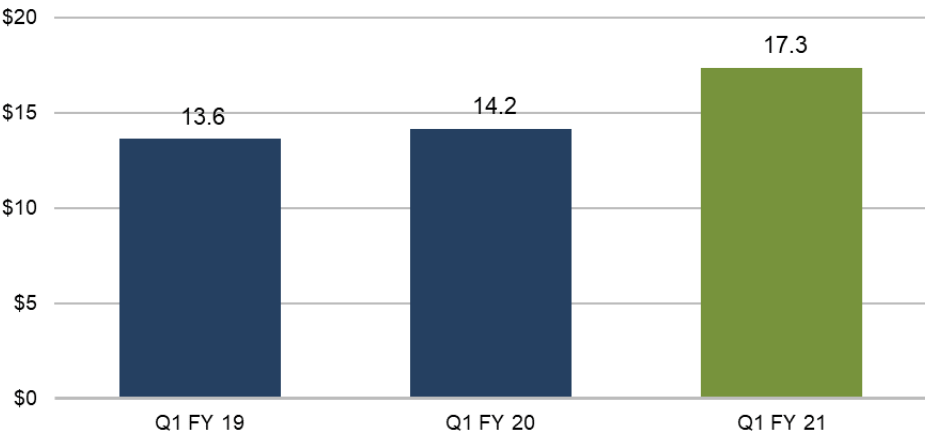
## EDUCATION (LIM) SUBSCRIPTION PLUS ADD-ON SALES



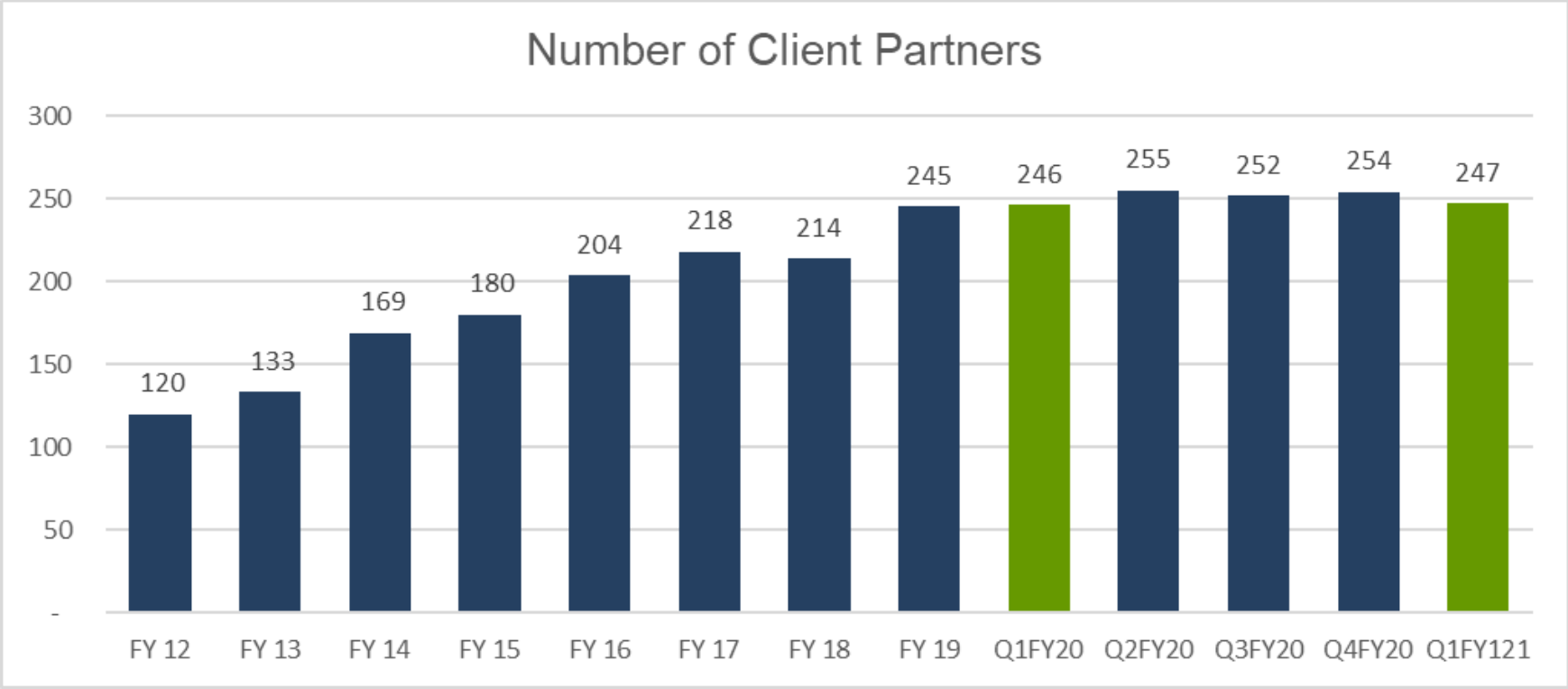
## INVOICED



## DEFERRED & UNBILLED DEFERRED REVENUE



# Client Partners



# Sales Information

(in millions and unaudited)

		FY2019					FY2020					FY 2021
	FY2018	Q1	Q2	Q3	Q4	FY2019	Q1	Q2	Q3	Q4	FY2020	Q1
<b>Sales</b>												
Reported Net Sales	209.8	53.8	50.4	56.0	65.2	225.4	58.6	53.7	37.1	49.0	198.5	48.3
Change in Deferred Revenue	11.4	(8.5)	(1.8)	0.3	18.3	8.3	(9.5)	(0.7)	(4.1)	16.7	2.4	(3.6)
Invoiced Amount	221.2	45.3	48.6	56.4	83.4	233.7	49.1	53.0	33.1	65.7	200.8	44.7
<b>Balance Sheet</b>												
<b>Roll-Forward of Deferred Subscription Revenue</b>												
Beginning Balance (deferred revenue)	36.4	48.4	41.4	39.6	39.9	48.4	58.2	48.7	48.0	43.9	58.2	60.6
Subscription Invoiced	69.7	9.8	15.9	19.3	37.8	82.8	11.6	20.6	18.2	38.5	88.9	18.0
Amounts Recorded to Revenue	(58.3)	(18.3)	(17.7)	(18.9)	(19.6)	(74.5)	(21.1)	(21.3)	(22.3)	(21.8)	(86.5)	(21.7)
Change in Deferred Revenue	11.4	(8.5)	(1.8)	0.3	18.3	8.3	(9.5)	(0.7)	(4.1)	16.7	2.4	(3.6)
FX, 606, and Other Changes	0.6	1.5	-	-	-	1.5	-	-	-	-	-	-
Ending Balance (Def Subscription Revenue)	48.4	41.4	39.6	39.9	58.2	58.2	48.7	48.0	43.9	60.6	60.6	57.0
<b>Unbilled Deferred Contracts</b>												
Beginning Balance (off balance sheet)	17.2	24.5	24.4	25.0	23.7	24.5	29.9	34.0	34.8	33.4	29.9	39.6
New Unbilled Contracts	20.2	1.4	4.6	3.5	12.8	22.3	7.0	8.5	4.7	13.2	33.5	5.8
Amounts Invoiced	(12.9)	(1.5)	(4.0)	(4.7)	(6.6)	(16.9)	(3.0)	(7.7)	(6.1)	(7.1)	(23.9)	(5.0)
Ending Balance (off balance sheet)	24.5	24.4	25.0	23.7	29.9	29.9	34.0	34.8	33.4	39.6	39.6	40.5
<b>Breakout of Deferred Sales (above)</b>												
<b>Subscription Sales (Invoiced Amounts)</b>												
All Access Pass Subscriptions	48.8	8.3	15.1	13.7	21.2	58.3	10.3	19.4	11.8	22.1	63.6	15.9
Education Subscription Contracts	19.2	0.8	0.4	5.2	15.4	21.9	1.2	0.7	6.1	16.2	24.2	1.7
Other	1.7	0.7	0.5	0.3	1.2	2.7	0.2	0.5	0.3	0.2	1.2	0.4
Total Additions to balance sheet	69.7	9.8	15.9	19.3	37.8	82.8	11.6	20.6	18.2	38.5	88.9	18.0

## 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.

# FranklinCovey – Contracts Signed

(in thousands and unaudited)

	Enterprise Division				Education Division				Corporate			Total Company			
First Quarter	FY21	FY20	Change	%	FY21	FY20	Change	%	FY21	FY20	Change	FY21	FY20	Change	%
Sales	39.3	45.8	(6.5)	-14.2%	7.5	11.1	(3.6)	-32.3%	1.5	1.7	(0.2)	48.3	58.6	(10.3)	-17.6%
Change in Deferred Subscription Revenue	(0.6)	(4.0)	3.4	-84.6%	(3.0)	(5.5)	2.5	-44.9%	(0.0)	(0.0)	(0.0)	(3.6)	(9.5)	5.9	-61.6%
Invoiced Amounts	38.7	41.8	(3.1)	-7.4%	4.5	5.6	(1.1)	-20.1%	1.5	1.7	(0.2)	44.7	49.1	(4.4)	-9.0%
Change in Unbilled Deferred Revenue	0.8	4.3	(3.5)		0.0	(0.3)	0.3		(0.0)	0.0	(0.0)	0.9	4.0	(3.2)	
Total Contracts Signed	39.6	46.1	(6.6)	-14.3%	4.5	5.3	(0.8)	-15.3%	1.5	1.7	(0.2)	45.5	53.1	(7.6)	-14.3%

	Enterprise Division				Education Division				Corporate			Total Company			
LTM First Quarter	FY21	FY20	Change	%	FY21	FY20	Change	%	FY21	FY20	Change	FY21	FY20	Change	%
Sales	141.7	174.3	(32.6)	-18.7%	39.8	49.6	(9.8)	-19.7%	6.6	6.2	0.4	188.2	230.1	(42.0)	-18.2%
Change in Deferred Subscription Revenue	5.3	5.8	(0.5)	-8.7%	2.9	1.5	1.5	99.5%	(0.0)	0.0	(0.0)	8.2	7.3	0.9	12.9%
Invoiced Amounts	147.1	180.2	(33.1)	-18.4%	42.7	51.1	(8.3)	-16.3%	6.6	6.2	0.4	196.4	237.4	(41.0)	-17.3%
Change in Unbilled Deferred Revenue	5.9	10.5	(4.6)		0.6	(1.0)	1.6		0.0	0.0	-	6.5	9.6	(3.1)	
Total Contracts Signed	153.0	190.7	(37.7)	-19.8%	43.3	50.1	(6.8)	-13.5%	6.6	6.2	0.4	202.9	247.0	(44.1)	-17.9%

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	
	November 30, 2020	November 30, 2019
Reconciliation of net loss to Adjusted EBITDA:		
Net loss	\$ (892)	\$ (544)
Adjustments:		
Interest expense, net	544	601
Income tax provision (benefit)	179	(216)
Amortization	1,131	1,170
Depreciation	1,741	1,619
Stock-based compensation	1,158	1,851
Increase in contingent consideration liabilities	62	91
Government COVID-19 assistance proceeds	(207)	-
Knowledge Capital wind-down costs	-	389
Adjusted EBITDA	<u>\$ 3,716</u>	<u>\$ 4,961</u>
Adjusted EBITDA margin	7.7%	8.5%

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)

## Sales by Division/Segment:

Enterprise Division:

Direct offices

International licensees

Education Division

Corporate and other

## Consolidated

## Gross Profit by Division/Segment:

Enterprise Division:

Direct offices

International licensees

Education Division

Corporate and other

## Consolidated

## Adjusted EBITDA by Division/Segment:

Enterprise Division:

Direct offices

International licensees

Education Division

Corporate and other

## Consolidated

Quarter Ended		
November 30, 2020	November 30, 2019	
\$ 36,743	\$ 42,111	
2,596	3,721	
39,339	45,832	
7,498	11,082	
1,487	1,699	
<u>\$ 48,324</u>	<u>\$ 58,613</u>	
\$ 29,439	\$ 31,411	
2,285	3,120	
31,724	34,531	
3,986	6,657	
676	841	
<u>\$ 36,386</u>	<u>\$ 42,029</u>	
\$ 6,693	\$ 5,710	
1,294	2,035	
7,987	7,745	
(2,285)	(1,102)	
(1,986)	(1,682)	
<u>\$ 3,716</u>	<u>\$ 4,961</u>	



# Condensed Consolidated Balance Sheets

(in thousands and unaudited)

	November 30, 2020	August 31, 2020
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 34,260	\$ 27,137
Accounts receivable, less allowance for doubtful accounts of \$3,751 and \$4,159	43,066	56,407
Inventories	2,675	2,974
Prepaid expenses and other current assets	15,430	15,146
Total current assets	95,431	101,664
Property and equipment, net	14,169	15,723
Intangible assets, net	45,996	47,125
Goodwill	24,220	24,220
Deferred income tax assets	1,028	1,094
Other long-term assets	15,516	15,611
	<u>\$ 196,360</u>	<u>\$ 205,437</u>

	November 30, 2020	August 31, 2020
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Current portion of term notes payable	\$ 5,000	\$ 5,000
Current portion of financing obligation	2,670	2,600
Accounts payable	3,691	5,622
Deferred subscription revenue	55,681	59,289
Other deferred revenue	7,654	7,389
Accrued liabilities	21,902	22,628
Total current liabilities	96,598	102,528
Term notes payable, less current portion	13,750	15,000
Financing obligation, less current portion	13,350	14,048
Other liabilities	8,820	9,110
Deferred income tax liabilities	5,089	5,298
Total liabilities	137,607	145,984
Shareholders' equity:		
Common stock	1,353	1,353
Additional paid-in capital	209,667	211,920
Retained earnings	49,076	49,968
Accumulated other comprehensive income	948	641
Treasury stock at cost, 13,028 and 13,175 shares	(202,291)	(204,429)
Total shareholders' equity	58,753	59,453
	<u>\$ 196,360</u>	<u>\$ 205,437</u>

# Condensed Consolidated Statements of Operations

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

	Quarter Ended	
	November 30, 2020	November 30, 2019
Net sales	\$ 48,324	\$ 58,613
Cost of sales	11,938	16,584
Gross profit	36,386	42,029
Selling, general, and administrative	33,683	39,399
Depreciation	1,741	1,619
Amortization	1,131	1,170
<b>Loss from operations</b>	<b>(169)</b>	<b>(159)</b>
Interest expense, net	(544)	(601)
<b>Loss before income taxes</b>	<b>(713)</b>	<b>(760)</b>
Income tax benefit (provision)	(179)	216
<b>Net loss</b>	<b>\$ (892)</b>	<b>\$ (544)</b>
Net loss per common share:		
Basic and diluted	\$ (0.06)	\$ (0.04)
Weighted average common shares:		
Basic and diluted	13,977	13,982
Other data:		
Adjusted EBITDA <sup>(1)</sup>	\$ 3,716	\$ 4,961

(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, 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).