

Investor Update

Third 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.

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.

Third Quarter Results

REVENUE
UP 58% AND
GREATER
THAN FY19

GROSS
MARGIN +
587 BASIS
POINTS

OPERATING
SG&A
IMPROVES
TO 63.6%

ADJUSTED
EBITDA
INCREASES
\$12.2M TO
\$8.6M

CASH FLOW
INCREASES
65% TO
\$30.9M

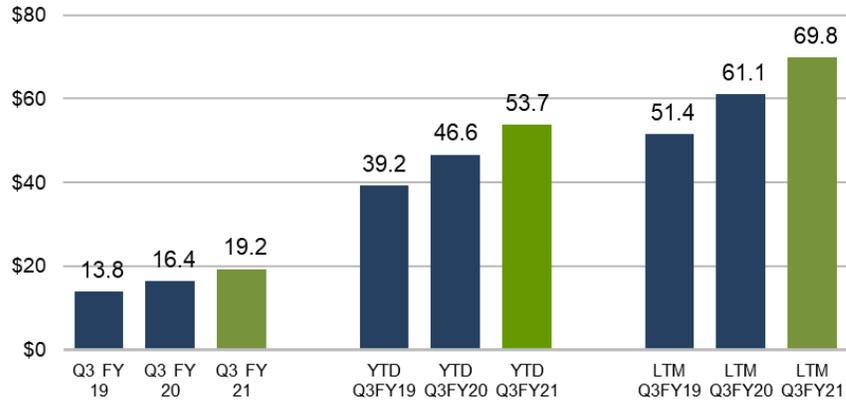
\$51M IN
LIQUIDITY

Franklin Covey: Strong Revenue Momentum

(in millions and unaudited)

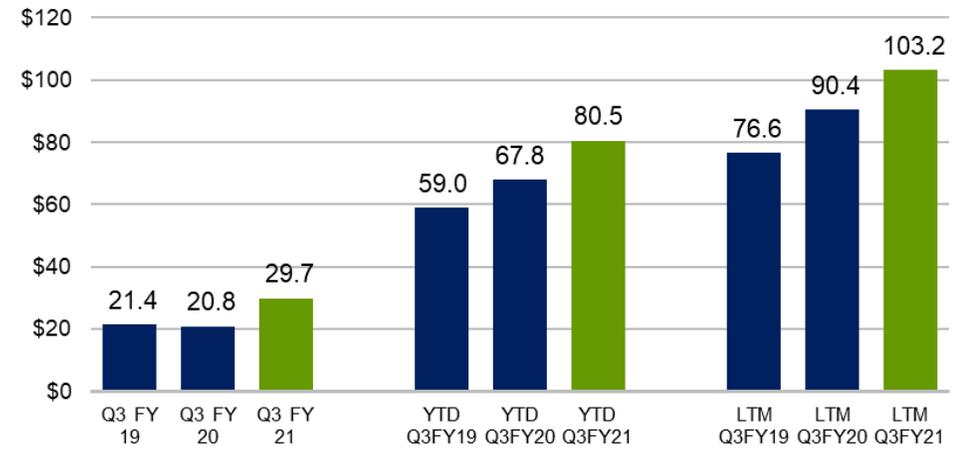
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AAP SUBSCRIPTION REVENUE



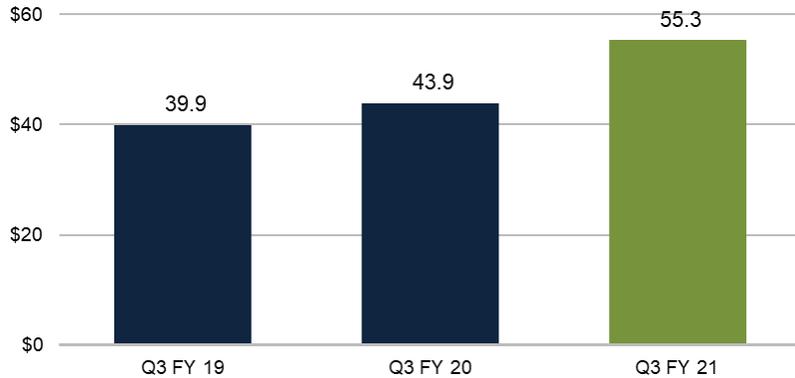
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AAP AND SUBSCRIPTION SERVICES



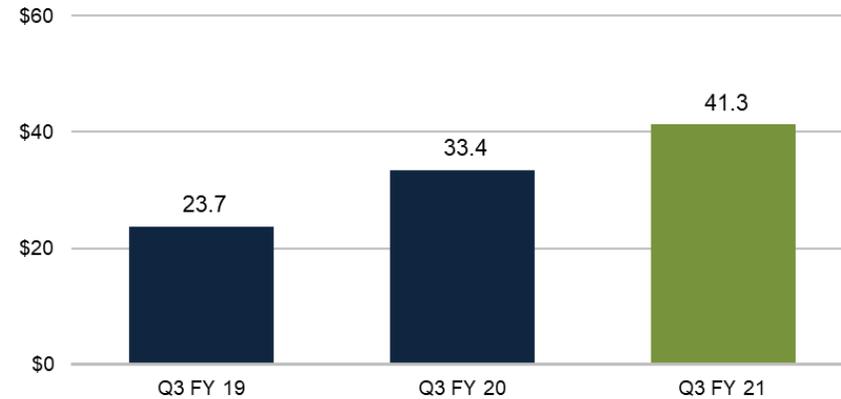
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DEFERRED SUBSCRIPTION REVENUE



4

UNBILLED DEFERRED REVENUE

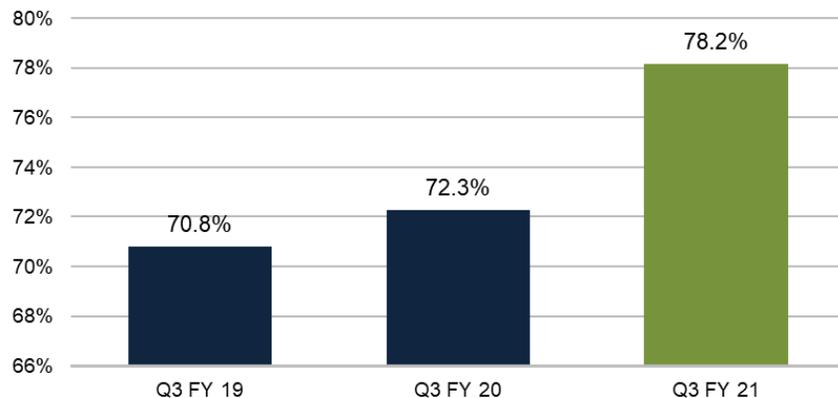


Franklin Covey: Strong Growth in Adjusted EBITDA & Cash Flow

(in millions and unaudited)

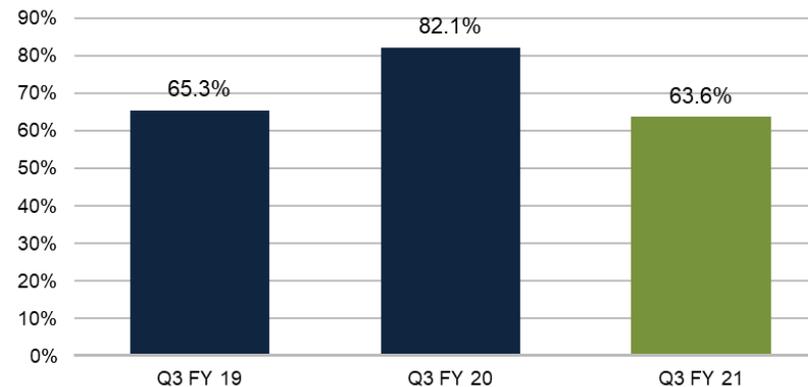
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GROSS MARGIN PERCENT



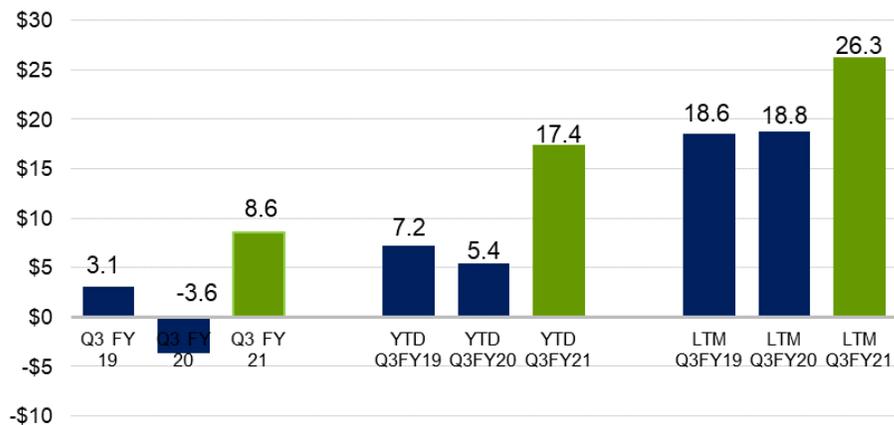
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OPERATING SG&A PERCENT



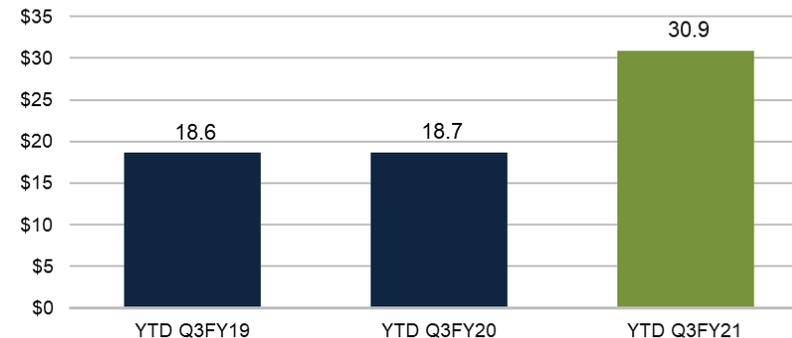
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ADJUSTED EBITDA

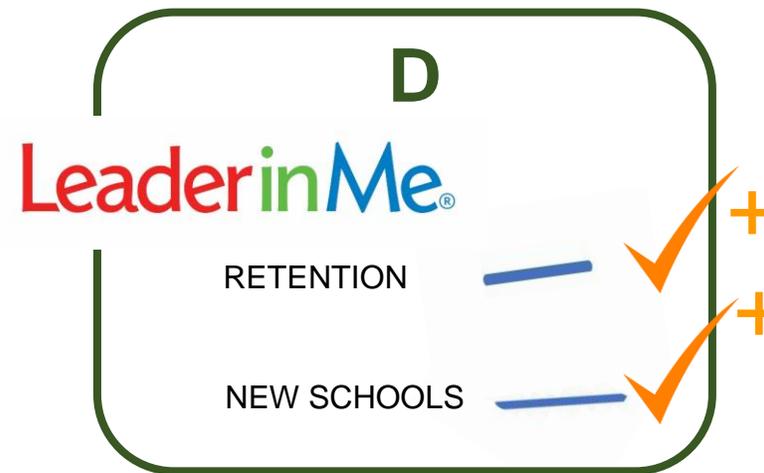


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NET CASH PROVIDED BY OPERATING ACTIVITIES



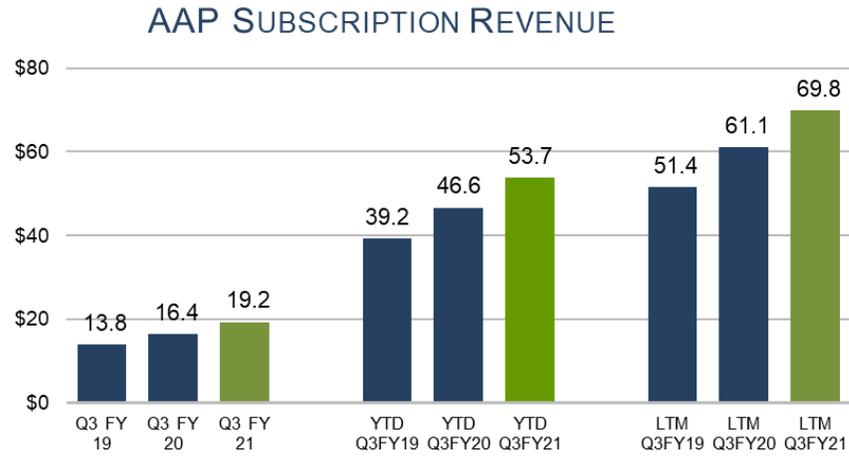
Franklin Covey: Strong Momentum



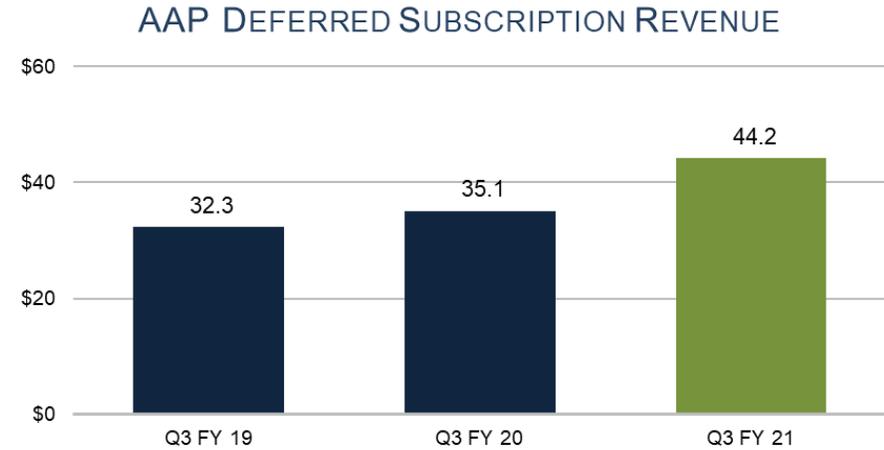
Franklin Covey: Strong Revenue Momentum

(in millions and unaudited)

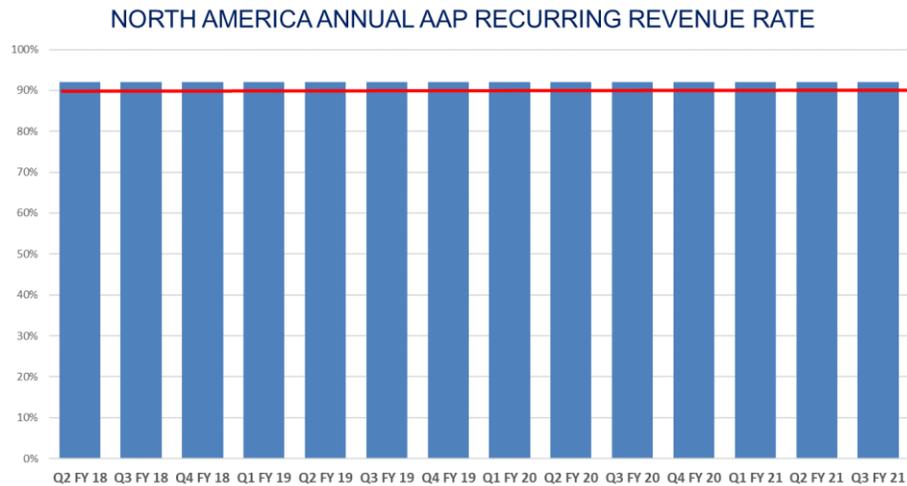
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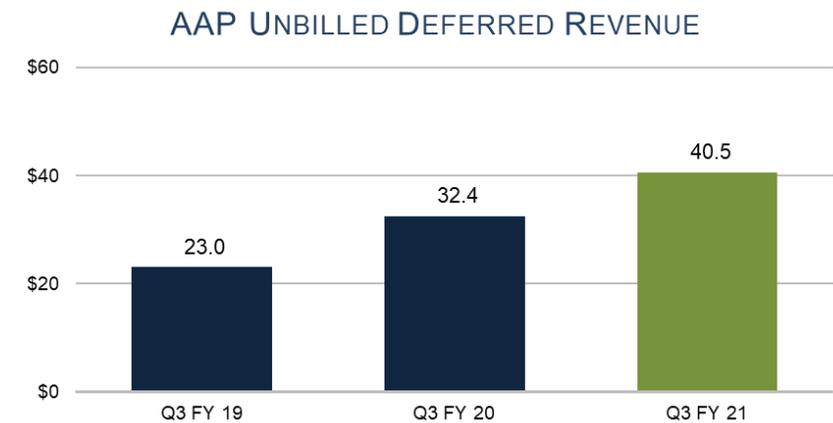
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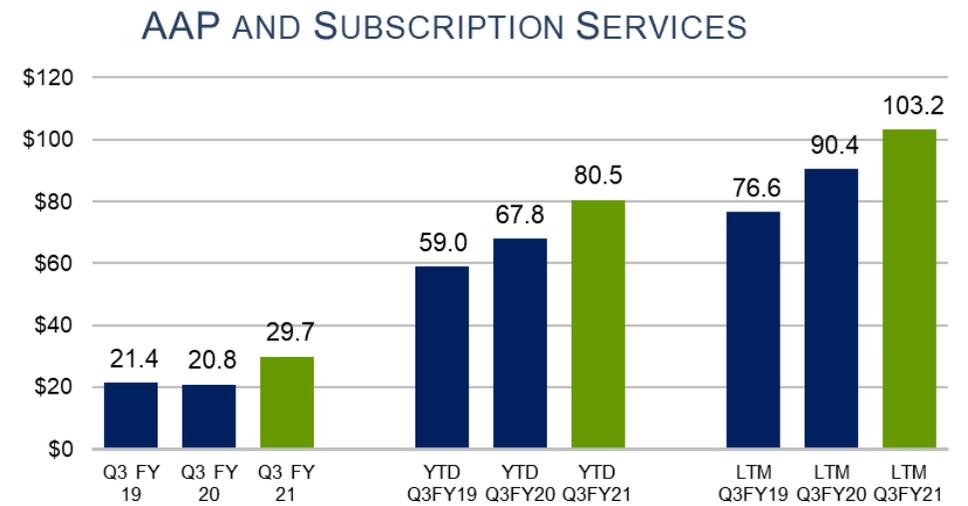
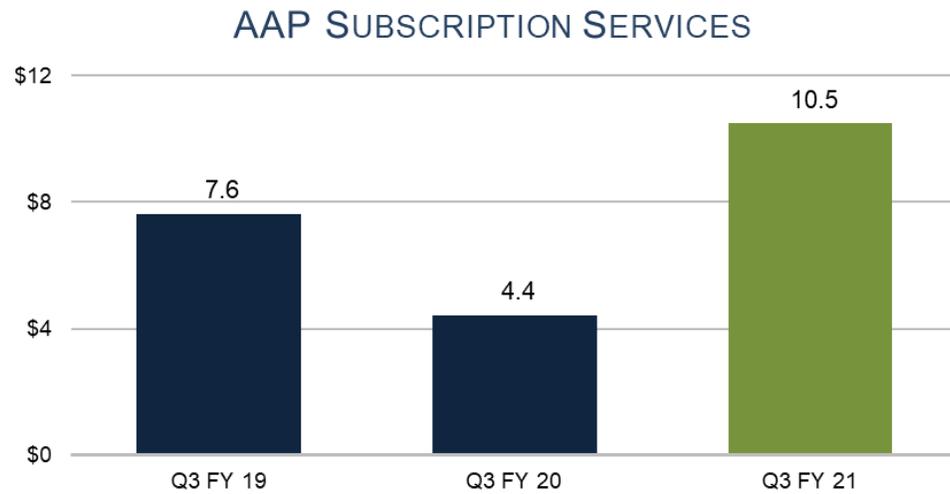


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All Access Pass Subscription Services Increases

(in millions and unaudited)

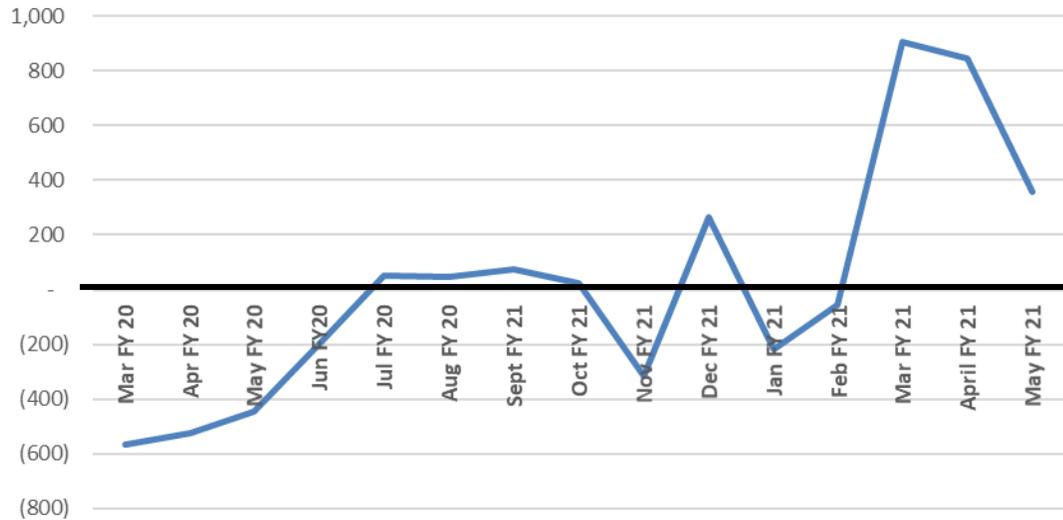


Enterprise North America Booking Trends

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.

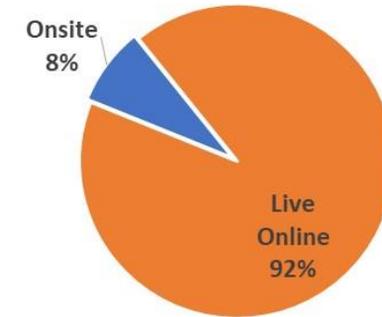
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YOY CHANGE IN NORTH AMERICA NET BOOKED DAYS



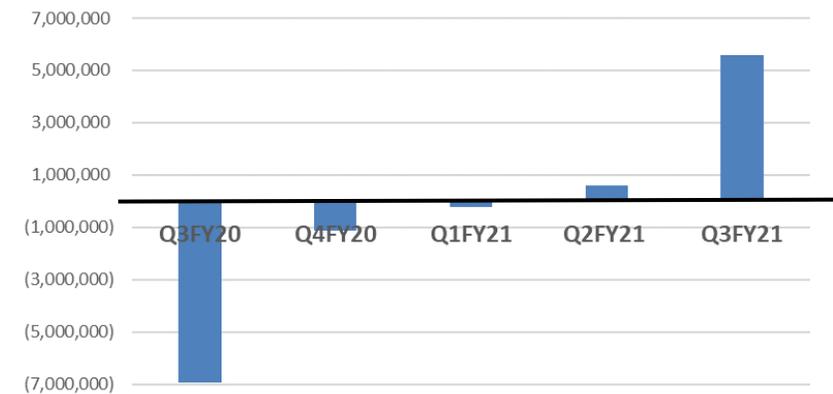
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DELIVERY METHOD OF NEW TRAINING DAYS (NORTH AMERICA)



3

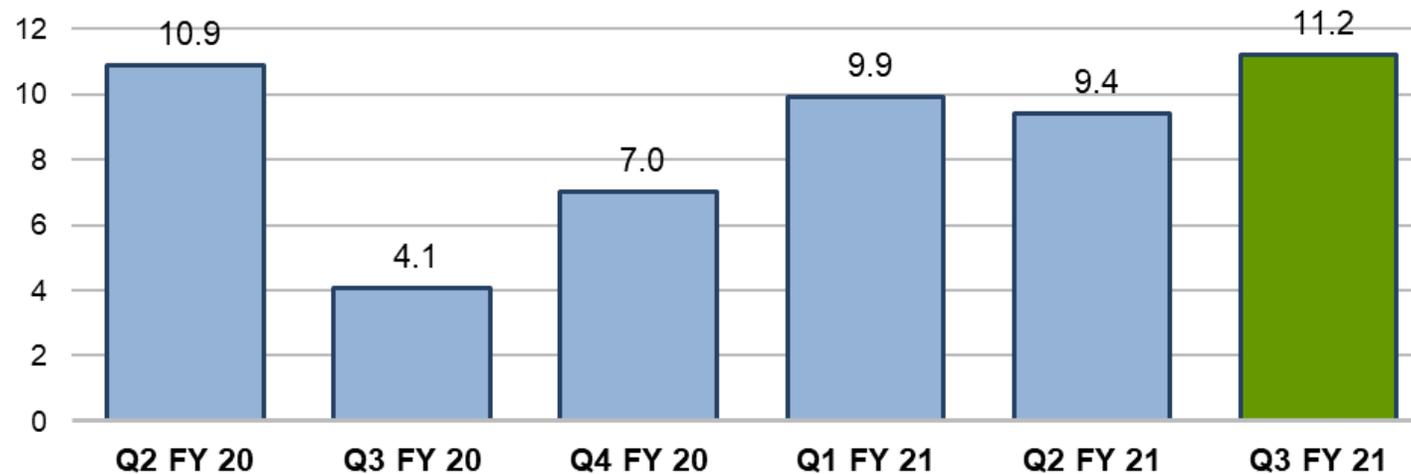
North America YOY Onsite Revenue



Franklin Covey: Strong Revenue

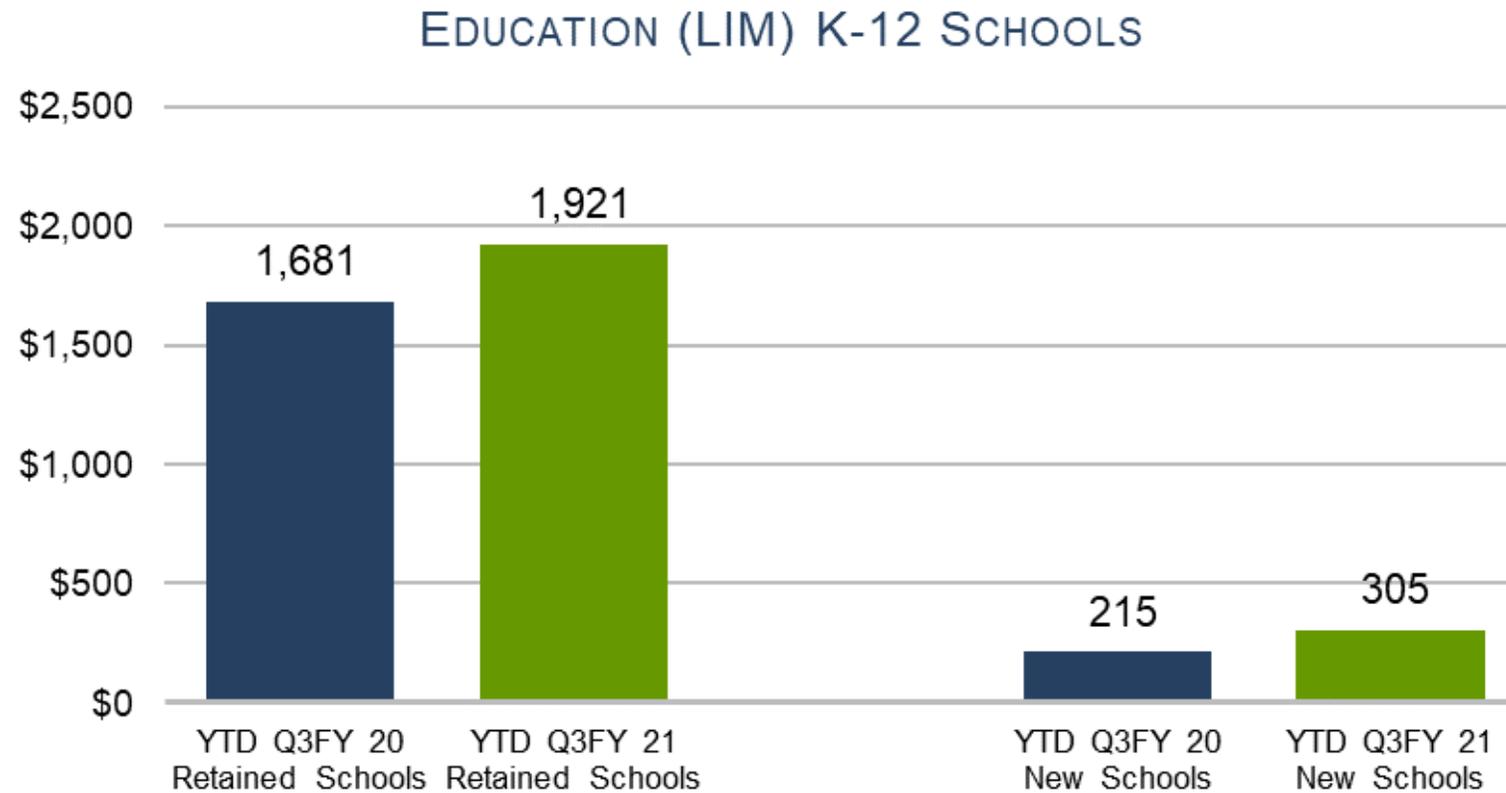
(in millions and unaudited)

INTERNATIONAL DIRECT OFFICES + ENTERPRISE LICENSES YOY REVENUE



Note: the seasonality between our first and second quarter are a result of various international holidays that occur during the second quarter.

Education Division



Note: this chart shows the number of new Leader in Me schools who contracted by the end of the 3rd quarter, or are in the process of contracting,

Franklin Covey – Financial Summary

(in millions and unaudited)

FY 21 vs. FY 20	Q3FY21	Q3FY20	Chg	%	YTD Q3FY21	YTD Q3FY20	Chg	%	LTM Q3FY21	LTM Q3FY20	Chg	%
Sales	\$ 58.7	\$ 37.1	\$ 21.6	58.3%	\$ 155.2	\$ 149.5	\$ 5.8	3.9%	\$ 204.2	\$ 214.6	(\$10.4)	-4.9%
Cost of Sales	12.8	10.3	2.5	24.7%	35.6	41.9	(6.4)	-15.2%	46.7	59.6	(12.9)	-21.6%
Gross Profit	45.9	26.8	19.1	71.2%	119.6	107.5	12.1	11.3%	157.5	155.0	2.5	1.6%
Gross Profit %	78.2%	72.3%	587 bps		77.1%	71.9%	514 bps		77.1%	72.2%	489 bps	
Operating SG&A	37.3	30.5	6.9	22.6%	102.2	102.1	0.1	0.1%	131.2	136.2	(5.1)	-3.7%
Operating SG&A %	63.6%	82.1%	1,852 bps		65.9%	68.3%	248 bps		64.2%	63.5%	(76) bps	
Adjusted EBITDA	8.6	(3.6)	12.2	-335.1%	17.4	5.4	12.0	223.8%	26.3	18.8	7.5	40.1%

FY 21 vs. FY 19	Q3FY21	Q3FY19	Chg	%	YTD Q3FY21	YTD Q3FY19	Chg	%	LTM Q3FY21	LTM Q3FY19	Chg	%
Sales	\$ 58.7	\$ 56.0	\$ 2.7	4.9%	\$ 155.2	\$ 160.2	(\$5.0)	-3.1%	\$ 204.2	\$ 225.0	(\$20.8)	-9.2%
Cost of Sales	12.8	16.3	(3.5)	-21.5%	35.6	48.4	(12.8)	-26.4%	46.7	65.4	(18.7)	-28.6%
Gross Profit	45.9	39.7	6.2	15.7%	119.6	111.8	7.8	7.0%	157.5	159.6	(2.1)	-1.3%
Gross Profit %	78.2%	70.8%	734 bps		77.1%	69.8%	727 bps		77.1%	70.9%	620 bps	
Operating SG&A	37.3	36.6	0.8	2.1%	102.2	104.6	(2.4)	-2.3%	131.2	141.0	(9.8)	-7.0%
Operating SG&A %	63.6%	65.3%	176 bps		65.9%	65.3%	(56) bps		64.2%	62.7%	(156) bps	
Adjusted EBITDA	8.6	3.1	5.5	178.8%	17.4	7.2	10.2	141.5%	26.3	18.6	7.8	41.8%

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

(in thousands and unaudited)

	Current Quarter		Year to Date		Last 4 Quarters	
	Q3 FY21	Q3 FY20	Q3 FY21	Q3 FY20	Q3 FY21	Q3 FY20
Reported Adjusted EBITDA	\$ 8,563	\$ (3,642)	\$ 17,402	\$ 5,375	\$ 26,312	\$ 18,777
Adjustments						
Change in Deferred Revenue (related to subscription sales)	(3,225)	(4,052)	(5,273)	(14,282)	11,399	3,977
Costs deferred with Deferred Revenue	520	494	939	2,169	(1,392)	(881)
Amortization of capitalized development	833	1,013	2,583	3,042	3,491	4,045
Purchases of property and equipment	(308)	(820)	(1,185)	(3,336)	(2,032)	(4,493)
Capitalized curriculum development costs	(535)	(1,204)	(1,827)	(3,436)	(3,473)	(4,303)
Cash paid for interest	(549)	(607)	(1,634)	(1,751)	(2,163)	(2,282)
Net Cash Generated	\$ 5,299	\$ (8,818)	\$ 11,005	\$ (12,219)	\$ 32,142	\$ 14,840

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)

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	Three Quarters Ended	
	May 31, 2021	May 31, 2020
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 11,816	\$ (10,415)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	8,407	8,429
Amortization of capitalized curriculum costs	2,583	3,042
Stock-based compensation	5,127	(1,460)
Deferred income taxes	(10,521)	7,678
Change in fair value of contingent consideration liabilities	164	(367)
Amortization of right-of-use operating lease assets	758	-
Loss on disposal of assets	-	39
Changes in assets and liabilities, net of effect of acquired business:		
Decrease in accounts receivable, net	12,391	34,692
Decrease in inventories	322	377
Decrease in prepaid expenses and other assets	1,393	1,784
Increase (decrease) in accounts payable and accrued liabilities	4,629	(11,057)
Decrease in deferred revenue	(4,172)	(12,612)
Decrease in income taxes payable/receivable	(653)	(1,415)
Decrease in other long-term liabilities	(1,392)	(6)
Net cash provided by operating activities	<u>30,852</u>	<u>18,709</u>

Franklin Covey – Financial Summary

(in millions and unaudited)

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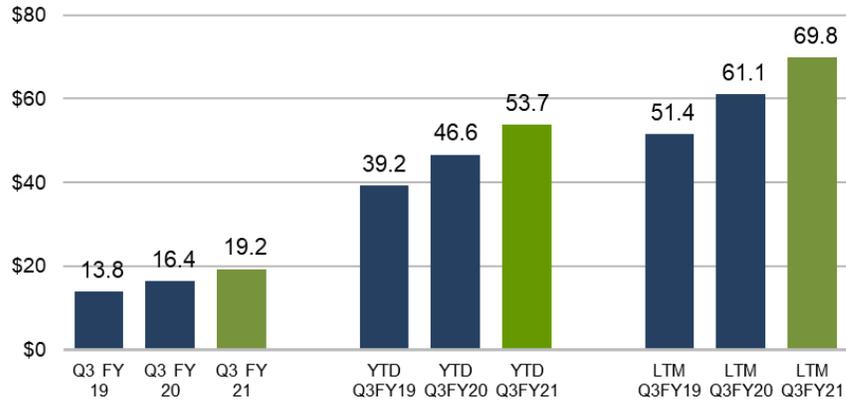
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

Franklin Covey: Strong Revenue Momentum

(in millions and unaudited)

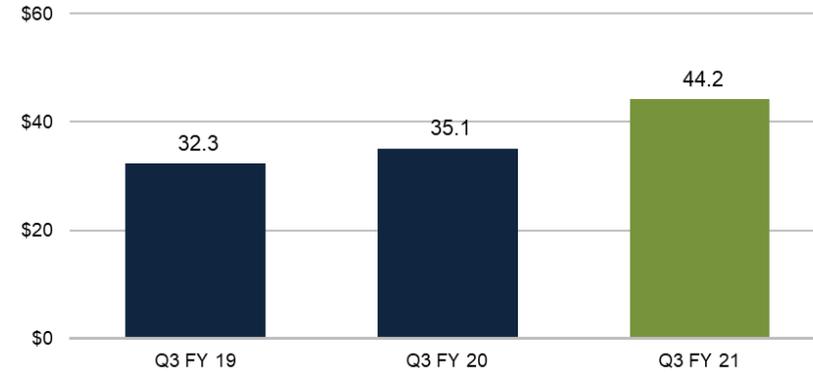
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AAP SUBSCRIPTION REVENUE



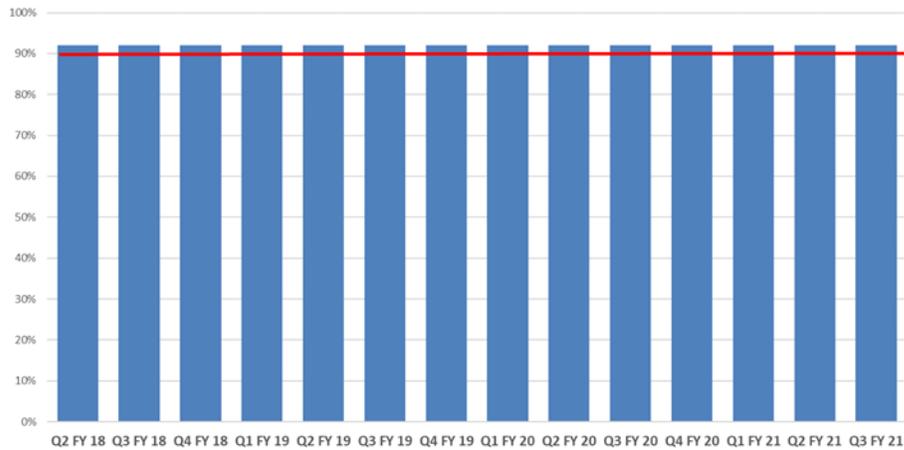
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AAP DEFERRED SUBSCRIPTION REVENUE



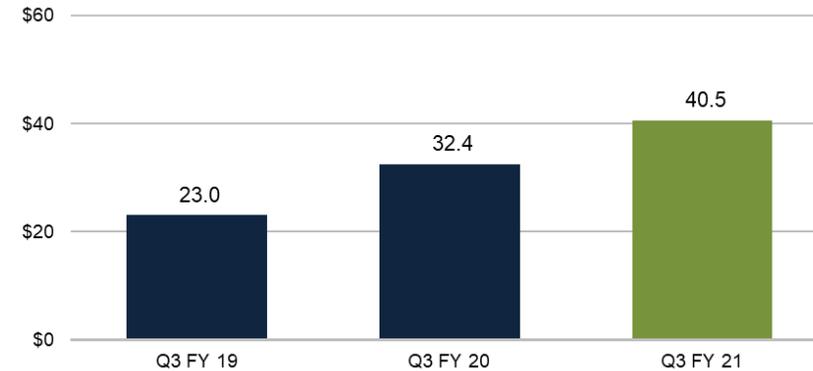
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NORTH AMERICA ANNUAL AAP RECURRING REVENUE RATE



4

AAP UNBILLED DEFERRED REVENUE



Franklin Covey – Financial Summary

(in millions and unaudited)

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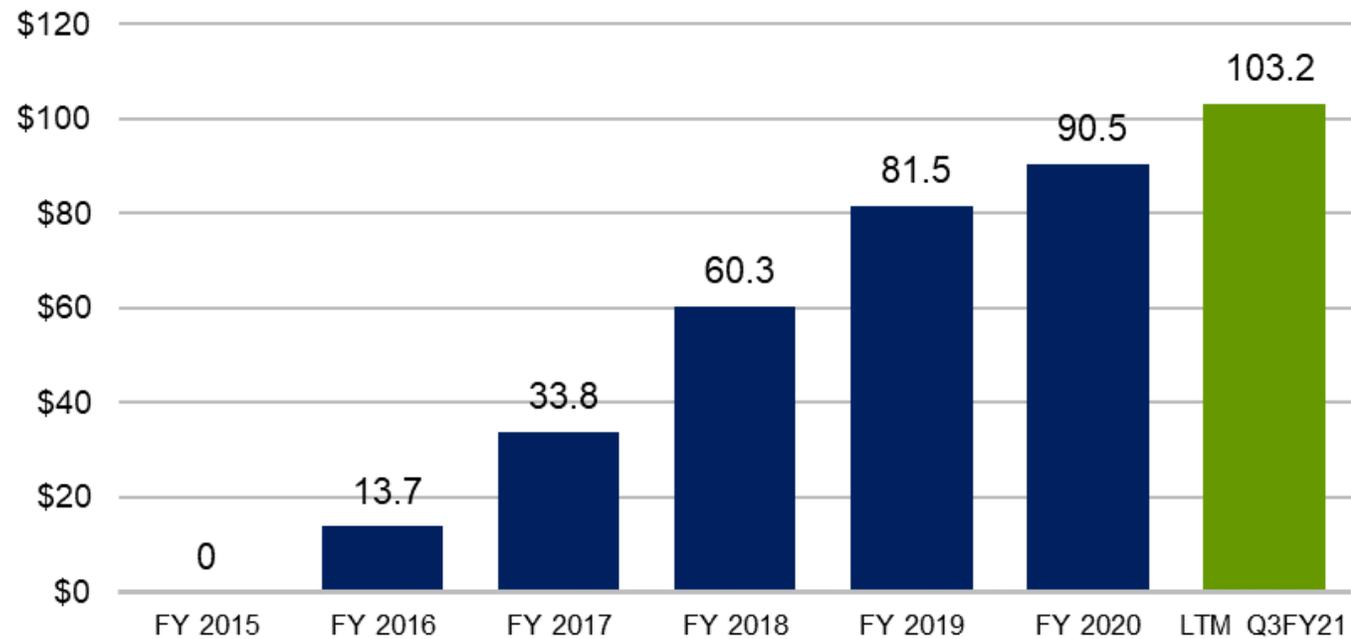
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All Access Pass

(in millions and unaudited)

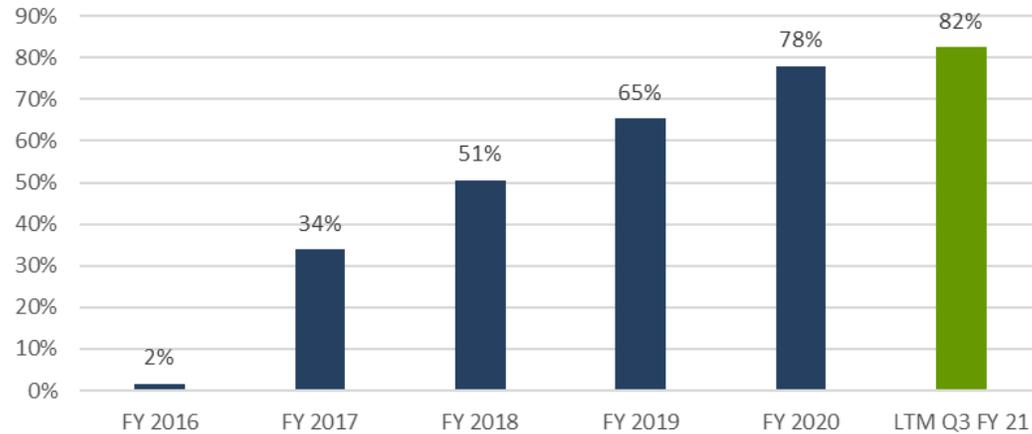
AAP AND SUBSCRIPTION SERVICES



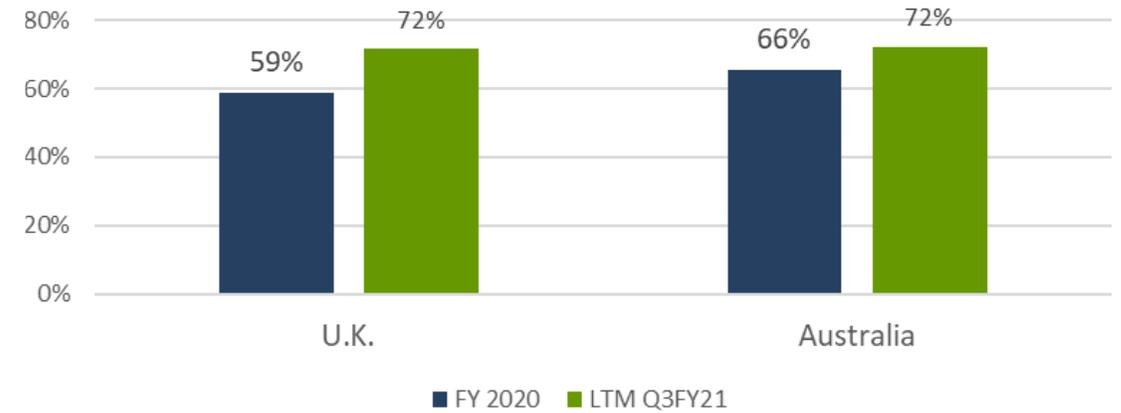
U.S./Canada/Government AAP Revenue

(in millions and unaudited)

U.S./Canada/Government Percent of AAP & Subscription Services to Total Revenue

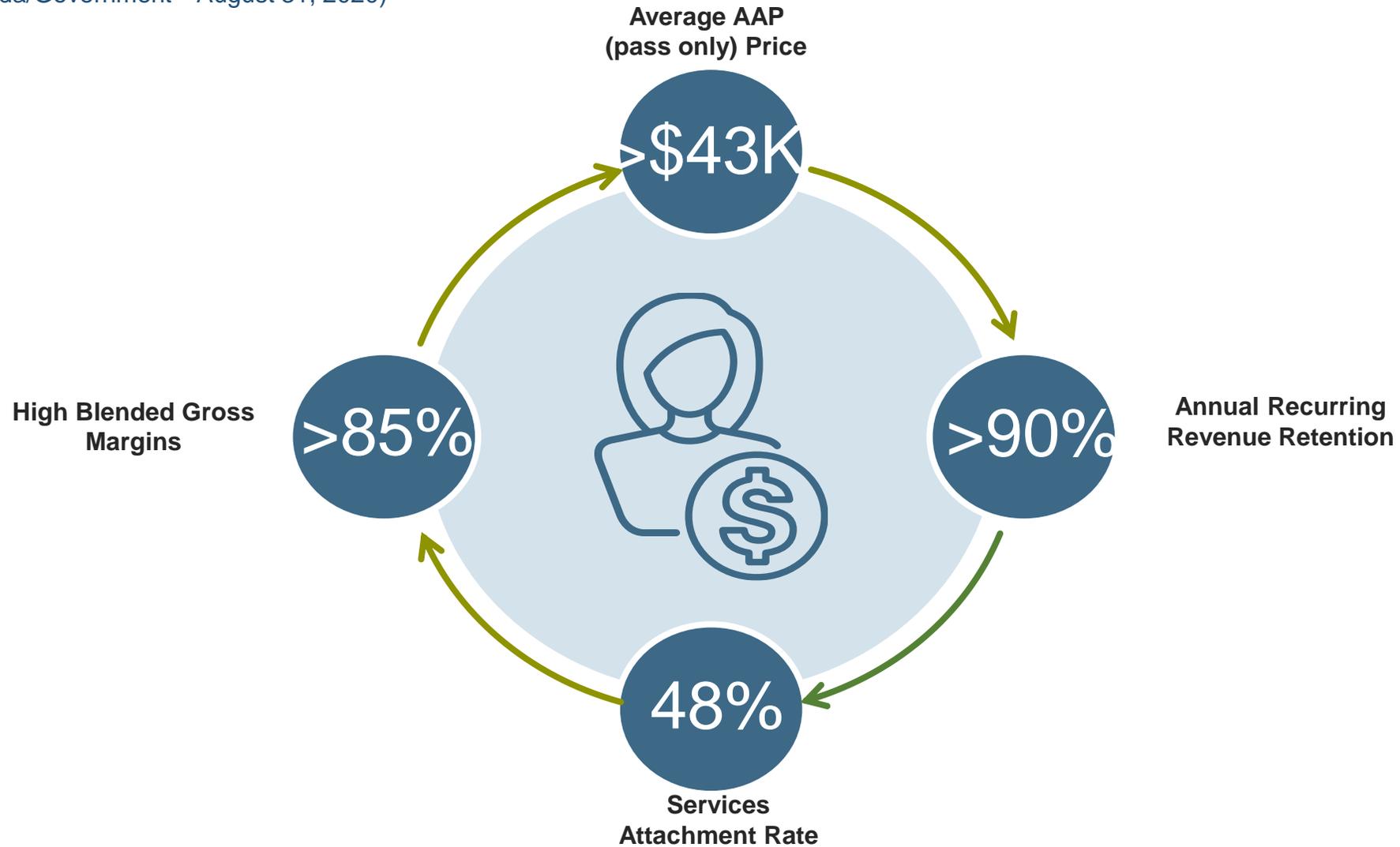


LTM Q3FY21 Percent of AAP Revenue to Total Revenue



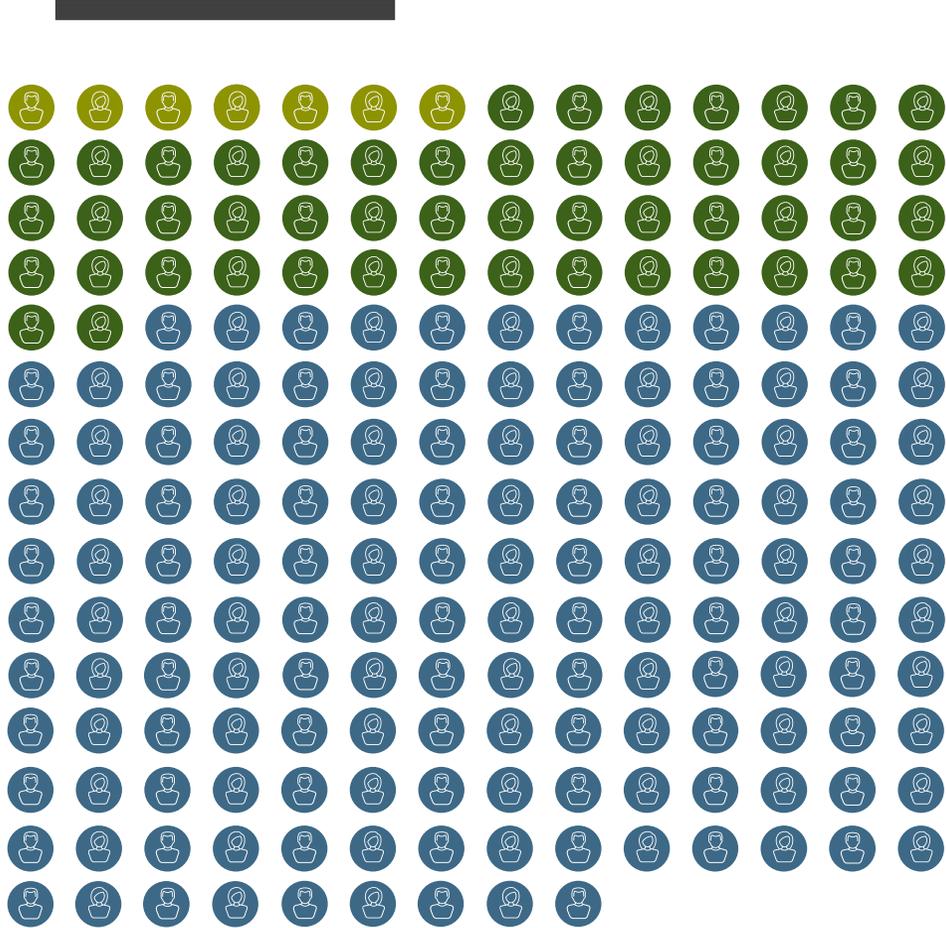
Lifetime Customer Value

(U.S./Canada/Government—August 31, 2020)



*Enterprise Division Gross Margin - Blend between Subscription & Services

Market Opportunity for Expansion



1 icon = 1,000 Accounts/Schools

U.S./Canada/Gov



Education



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 \$4.9M 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 \$9.0M 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 \$2.0M to \$3.0M in FY2021.
- Capitalized Curriculum excluding acquired content: \$5.1M in FY2020, expected to total approximately \$3.5M to \$4.5M in FY2021, including localization of AAP content, AAP content development, and Education content development.
- Share Count: 14,157K shares outstanding as of June 30, 2021. 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: 259 on May 31, 2021.
- Impact of FX in FY21: increase of Sales \$0.8M in Q3 and \$1.5M YTD; increase to Adjusted EBITDA \$0.2M in Q3 and none YTD.

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)

FY 21 vs. FY 20	Q3FY21	Q3FY20	Chg	%	YTD Q3FY21	YTD Q3FY20	Chg	%	LTM Q3FY21	LTM Q3FY20	Chg	%
Sales	\$ 58.7	\$ 37.1	\$ 21.6	58.3%	\$ 155.2	\$ 149.5	\$ 5.8	3.9%	\$ 204.2	\$ 214.6	(\$10.4)	-4.9%
Cost of Sales	12.8	10.3	2.5	24.7%	35.6	41.9	(6.4)	-15.2%	46.7	59.6	(12.9)	-21.6%
Gross Profit	45.9	26.8	19.1	71.2%	119.6	107.5	12.1	11.3%	157.5	155.0	2.5	1.6%
Gross Profit %	78.2%	72.3%	587	bps	77.1%	71.9%	514	bps	77.1%	72.2%	489	bps
Operating SG&A	37.3	30.5	6.9	22.6%	102.2	102.1	0.1	0.1%	131.2	136.2	(5.1)	-3.7%
Operating SG&A %	63.6%	82.1%	1,852	bps	65.9%	68.3%	248	bps	64.2%	63.5%	(76)	bps
Adjusted EBITDA	8.6	(3.6)	12.2	-335.1%	17.4	5.4	12.0	223.8%	26.3	18.8	7.5	40.1%

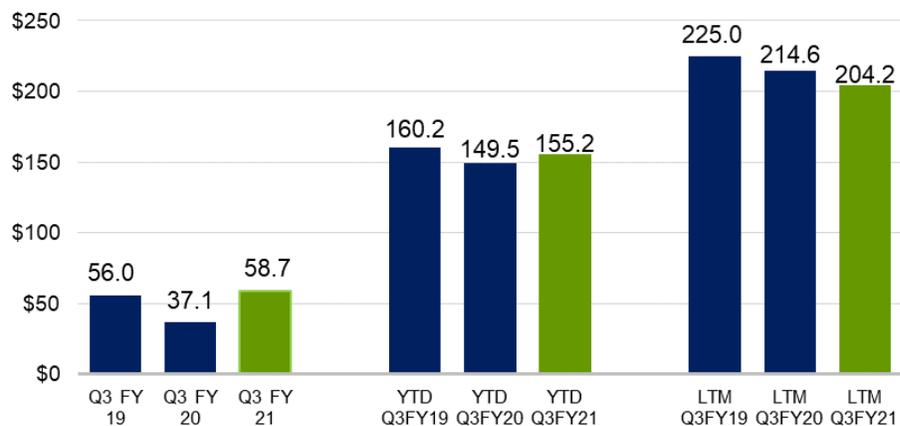
FY 21 vs. FY 19	Q3FY21	Q3FY19	Chg	%	YTD Q3FY21	YTD Q3FY19	Chg	%	LTM Q3FY21	LTM Q3FY19	Chg	%
Sales	\$ 58.7	\$ 56.0	\$ 2.7	4.9%	\$ 155.2	\$ 160.2	(\$5.0)	-3.1%	\$ 204.2	\$ 225.0	(\$20.8)	-9.2%
Cost of Sales	12.8	16.3	(3.5)	-21.5%	35.6	48.4	(12.8)	-26.4%	46.7	65.4	(18.7)	-28.6%
Gross Profit	45.9	39.7	6.2	15.7%	119.6	111.8	7.8	7.0%	157.5	159.6	(2.1)	-1.3%
Gross Profit %	78.2%	70.8%	734	bps	77.1%	69.8%	727	bps	77.1%	70.9%	620	bps
Operating SG&A	37.3	36.6	0.8	2.1%	102.2	104.6	(2.4)	-2.3%	131.2	141.0	(9.8)	-7.0%
Operating SG&A %	63.6%	65.3%	176	bps	65.9%	65.3%	(56)	bps	64.2%	62.7%	(156)	bps
Adjusted EBITDA	8.6	3.1	5.5	178.8%	17.4	7.2	10.2	141.5%	26.3	18.6	7.8	41.8%

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.

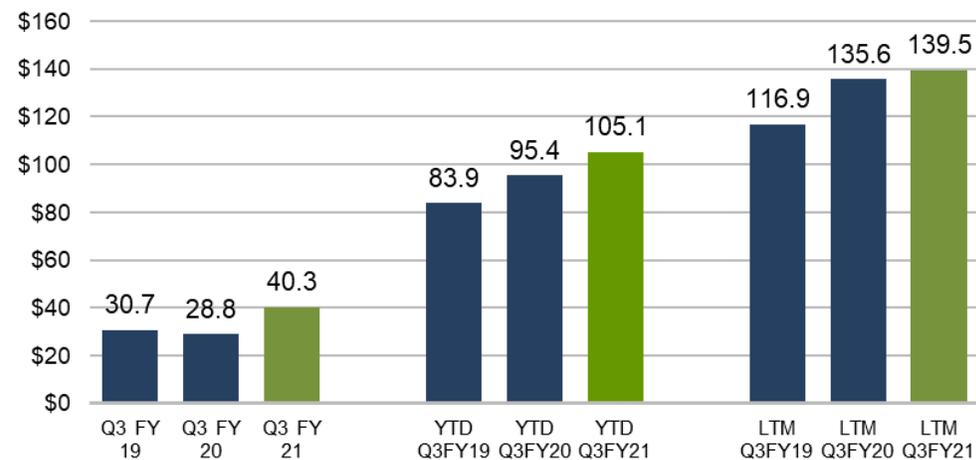
Franklin Covey: Strong Revenue Momentum

(in millions and unaudited)

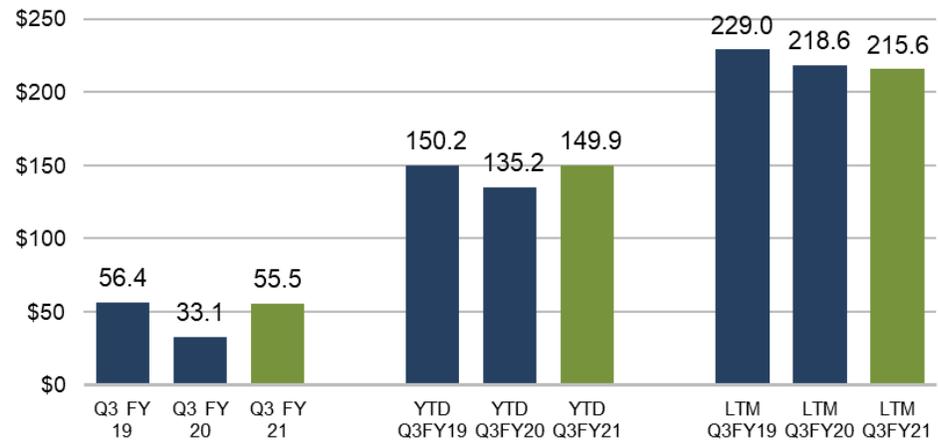
SALES



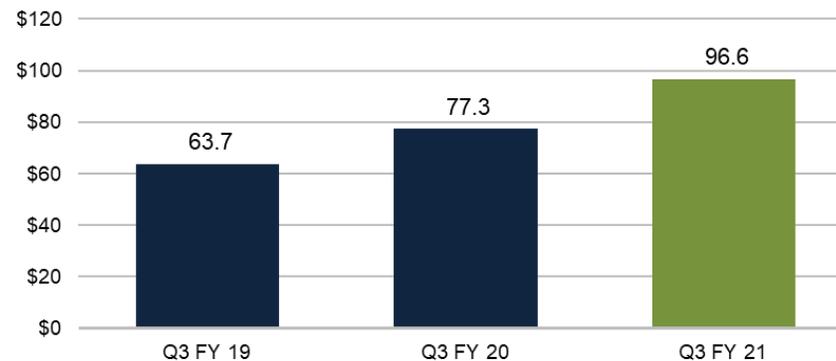
SUBSCRIPTION AND RELATED SALES



INVOICED



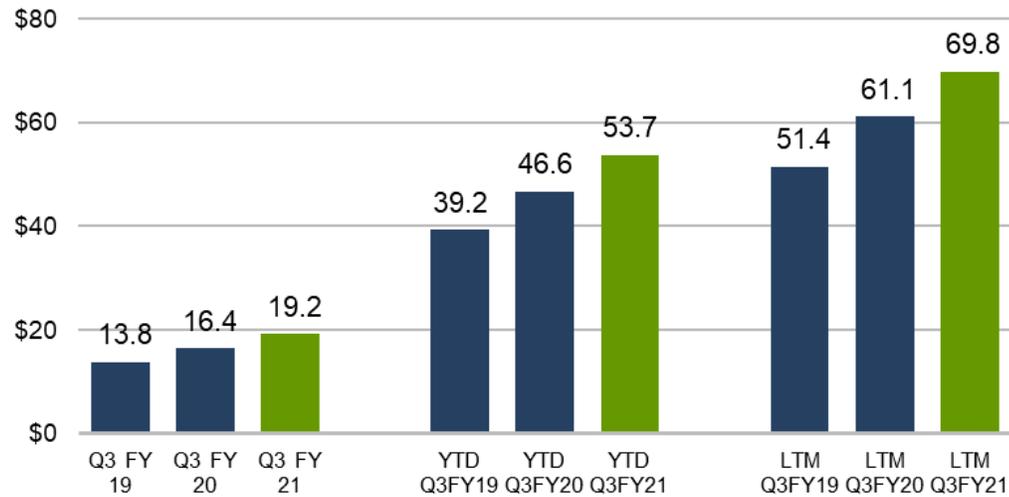
DEFERRED & UNBILLED DEFERRED REVENUE



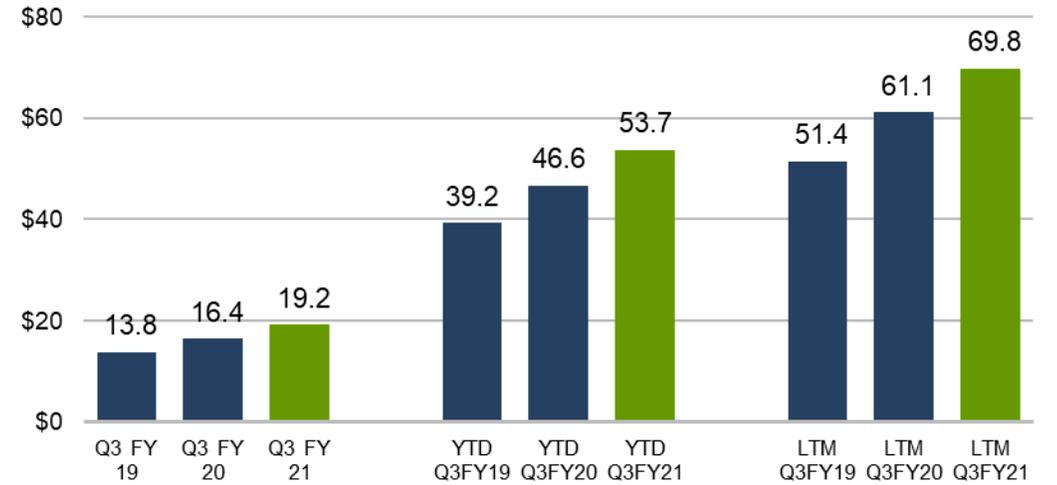
Trends in the Business

(in millions and unaudited)

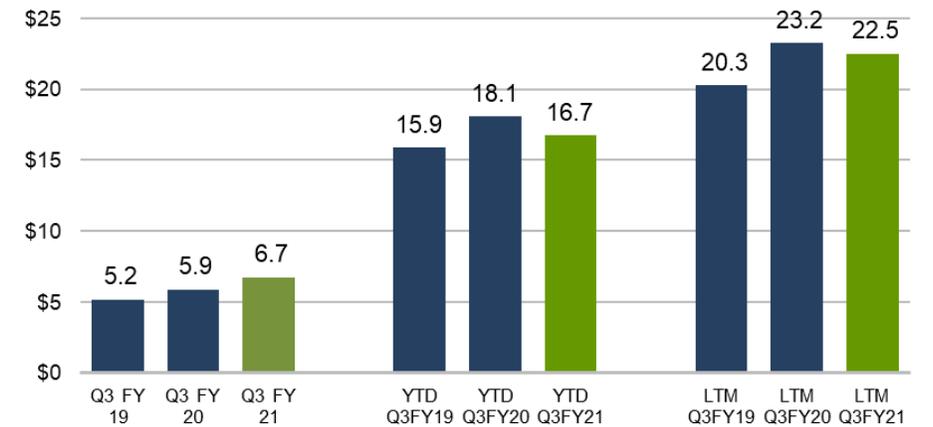
SUBSCRIPTION REVENUE



AAP SUBSCRIPTION REVENUE

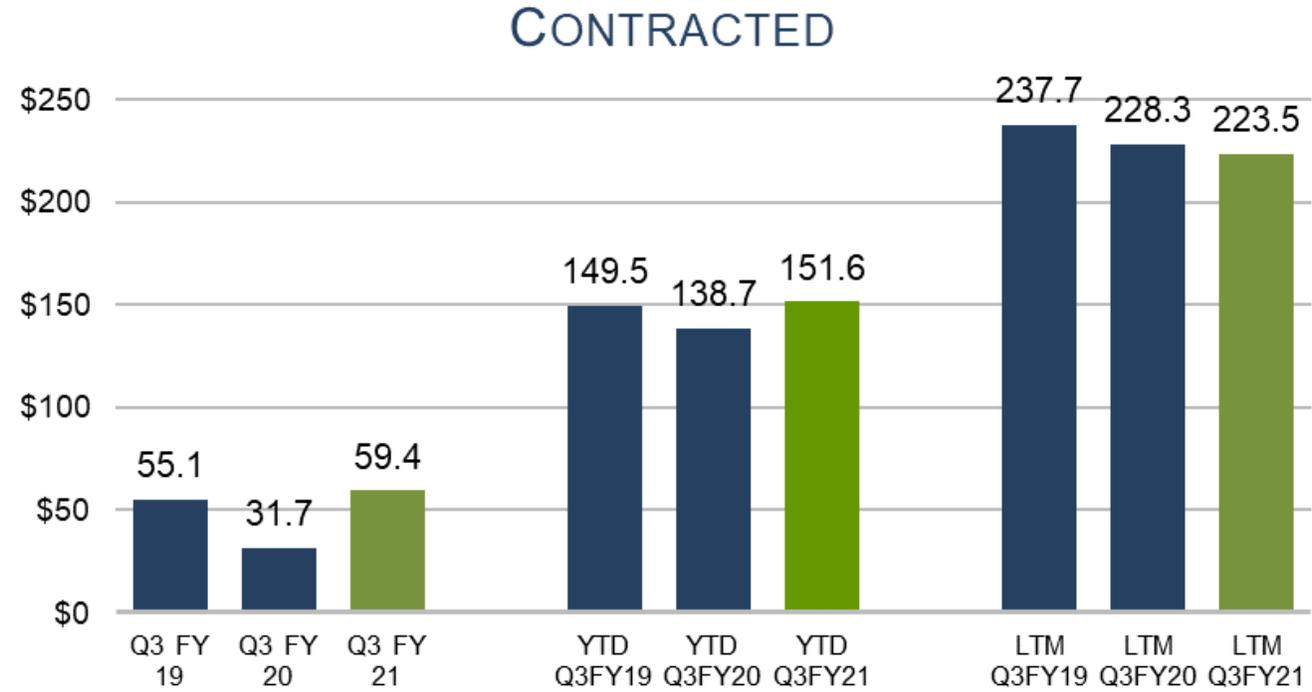


EDUCATION SUBSCRIPTION REVENUE

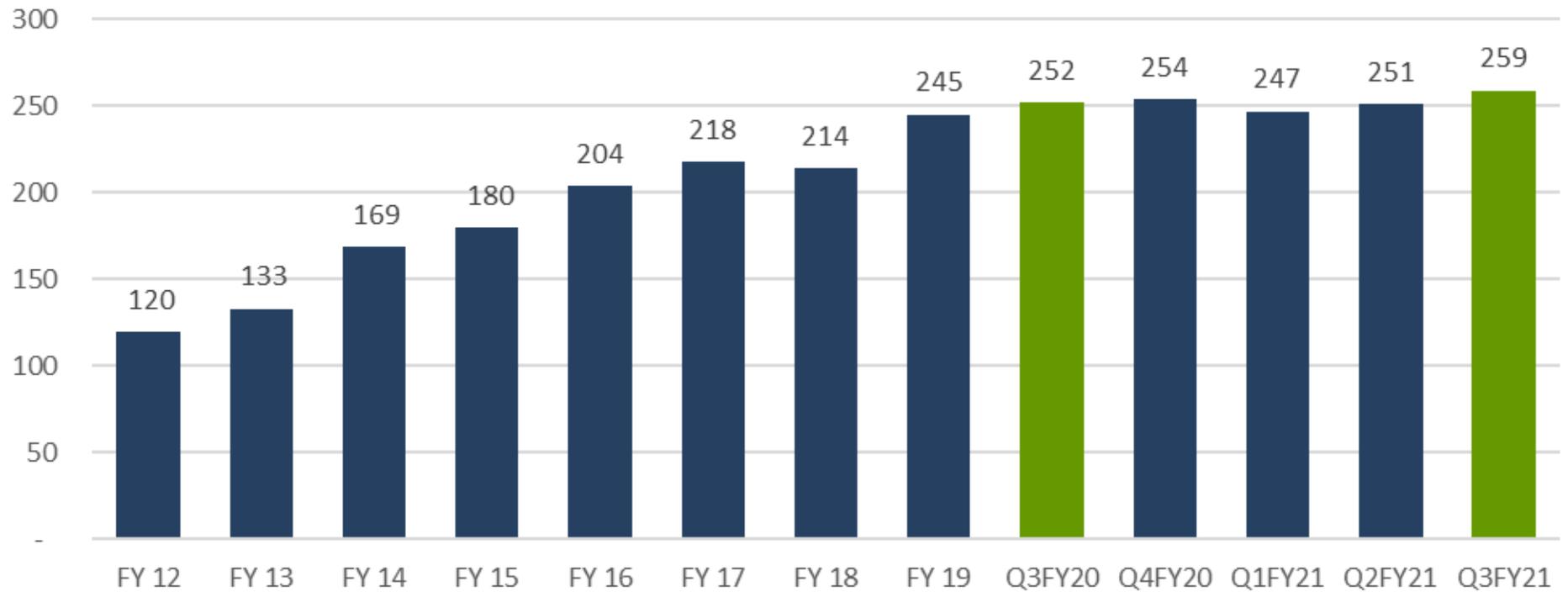


Contracted

(in millions and unaudited)



Number of Client Partners



FranklinCovey – Contracts Signed

(in thousands and unaudited)

Third Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY21	FY20	Change	%	FY21	FY20	Change	%	FY21	FY20	Change	FY21	FY20	Change	%
Sales	45.1	27.5	17.6	64.2%	11.9	8.2	3.7	44.8%	1.7	1.4	0.3	58.7	37.1	21.6	58.3%
Change in Deferred Subscription Revenue	(2.2)	(4.4)	2.3	-51.0%	(1.0)	0.4	(1.4)	-383.8%	(0.0)	(0.0)	(0.0)	(3.2)	(4.1)	0.8	-20.4%
Invoiced Amounts	42.9	23.0	19.9	86.3%	10.8	8.6	2.3	26.4%	1.7	1.4	0.3	55.5	33.1	22.5	67.9%
Change in Unbilled Deferred Revenue	4.2	(2.2)	6.4		(0.4)	0.8	(1.2)		(0.0)	(0.0)	(0.0)	3.9	(1.4)	5.2	
Total Contracts Signed	47.2	20.9	26.3	125.9%	10.5	9.4	1.1	11.4%	1.7	1.4	0.3	59.4	31.7	27.7	87.3%

LTM Third Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY21	FY20	Change	%	FY21	FY20	Change	%	FY21	FY20	Change	FY21	FY20	Change	%
Sales	156.9	159.7	(2.9)	-1.8%	41.1	47.9	(6.8)	-14.3%	6.3	6.9	(0.7)	204.2	214.6	(10.4)	-4.9%
Change in Deferred Subscription Revenue	8.9	2.6	6.3	241.8%	2.5	1.4	1.2	84.0%	(0.0)	(0.0)	(0.0)	11.4	4.0	7.4	186.7%
Invoiced Amounts	165.7	162.3	3.4	2.1%	43.6	49.3	(5.7)	-11.5%	6.2	6.9	(0.7)	215.6	218.6	(3.0)	-1.4%
Change in Unbilled Deferred Revenue	8.1	9.4	(1.3)		(0.2)	0.3	(0.5)		(0.0)	(0.0)	0.0	7.8	9.7	(1.9)	
Total Contracts Signed	173.8	171.8	2.1	1.2%	43.4	49.6	(6.2)	-12.5%	6.2	6.9	(0.7)	223.5	228.3	(4.8)	-2.1%

Third Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY21	FY20	Change	%	FY21	FY20	Change	%	FY21	FY20	Change	FY21	FY20	Change	%
Deferred Subscription Revenue Balance	44.2	35.1	9.1	25.8%	11.1	8.8	2.4	27.0%	-	-	-	55.3	43.9	11.4	26.0%
Unbilled Deferred Revenue Balance	40.5	32.4	8.1	25.0%	0.8	1.0	(0.2)	-23.9%	-	-	-	41.3	33.4	7.8	23.5%
Total	84.7	67.5	17.1	25.4%	11.9	9.8	2.1	21.7%	-	-	-	96.6	77.3	19.3	24.9%

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.

Sales Information

(in millions and unaudited)

	FY2018	FY2019					FY2020					FY 2021			
		Q1	Q2	Q3	Q4	FY2019	Q1	Q2	Q3	Q4	FY2020	Q1	Q2	Q3	YTD FY 2021
Sales															
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	48.2	58.7	155.2
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)	1.6	(3.2)	(5.3)
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	49.8	55.5	149.9
Balance Sheet															
Roll-Forward of Deferred Subscription Revenue															
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	57.0	58.5	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	24.4	22.7	65.2
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)	(22.9)	(25.9)	(70.5)
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)	1.6	(3.2)	(5.3)
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	58.5	55.3	55.3
Unbilled Deferred Contracts															
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	40.5	37.4	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	5.3	9.0	20.1
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)	(8.3)	(5.2)	(18.4)
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	37.4	41.3	41.3
Breakout of Deferred Sales (above)															
Subscription Sales (Invoiced Amounts)															
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	22.5	16.9	55.2
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	1.4	5.6	8.7
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	0.6	0.2	1.2
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	24.4	22.7	65.2

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.

Reconciliation of Net Loss to Adjusted EBITDA

(in thousands and unaudited)

	Quarter Ended		Three Quarters Ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Reconciliation of net income (loss) to Adjusted EBITDA:				
Net income (loss)	\$ 12,754	\$ (10,968)	\$ 11,816	\$ (10,415)
Adjustments:				
Interest expense, net	509	603	1,577	1,747
Income tax provision (benefit)	(10,149)	10,220	(9,605)	7,985
Amortization	1,238	1,164	3,503	3,504
Depreciation	1,423	1,652	4,904	4,925
Stock-based compensation	2,370	(5,104)	5,127	(1,460)
Acquisition costs	300	-	300	-
Increase (decrease) in the fair value of contingent consideration liabilities	118	(276)	164	(367)
Government COVID assistance	-	-	(234)	-
Gain from insurance settlement	-	(933)	(150)	(933)
Knowledge Capital wind-down costs	-	-	-	389
Adjusted EBITDA	<u>\$ 8,563</u>	<u>\$ (3,642)</u>	<u>\$ 17,402</u>	<u>\$ 5,375</u>
Adjusted EBITDA margin	14.6%	-9.8%	11.2%	3.6%

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

Additional Financial Information

(in thousands and unaudited)

	Quarter Ended		Three Quarters Ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Sales by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 42,704	\$ 26,760	\$ 115,185	\$ 106,844
International licensees	2,395	708	7,421	7,120
	<u>45,099</u>	<u>27,468</u>	<u>122,606</u>	<u>113,964</u>
Education Division	11,899	8,216	27,874	30,190
Corporate and other	1,738	1,421	4,743	5,309
	<u>13,637</u>	<u>9,637</u>	<u>32,617</u>	<u>35,499</u>
Consolidated	\$ 58,736	\$ 37,105	\$ 155,223	\$ 149,463
Gross Profit by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 34,678	\$ 21,108	\$ 93,201	\$ 81,221
International licensees	2,069	339	6,454	5,696
	<u>36,747</u>	<u>21,447</u>	<u>99,655</u>	<u>86,917</u>
Education Division	8,179	4,711	17,510	17,828
Corporate and other	981	663	2,469	2,772
	<u>9,160</u>	<u>5,374</u>	<u>19,979</u>	<u>20,600</u>
Consolidated	\$ 45,907	\$ 26,821	\$ 119,634	\$ 107,517
Adjusted EBITDA by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 8,894	\$ 352	\$ 21,729	\$ 10,796
International licensees	821	(724)	3,608	2,696
	<u>9,715</u>	<u>(372)</u>	<u>25,337</u>	<u>13,492</u>
Education Division	1,132	(1,536)	(2,010)	(3,707)
Corporate and other	(2,284)	(1,734)	(5,925)	(4,410)
	<u>(1,152)</u>	<u>(2,268)</u>	<u>(7,935)</u>	<u>(7,907)</u>
Consolidated	\$ 8,563	\$ (3,642)	\$ 17,402	\$ 5,375

Condensed Consolidated Balance Sheets

(in thousands and unaudited)

	May 31, 2021	August 31, 2020		May 31, 2021	August 31, 2020
<u>Assets</u>			<u>Liabilities and Shareholders' Equity</u>		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 35,757	\$ 27,137	Current portion of notes payable	\$ 5,835	\$ 5,000
Accounts receivable, less allowance for doubtful accounts of \$4,543 and \$4,159	44,477	56,407	Current portion of financing obligation	2,813	2,600
Inventories	2,652	2,974	Accounts payable	4,655	5,622
Prepaid expenses and other current assets	15,343	15,146	Deferred subscription revenue	54,344	59,289
Total current assets	98,229	101,664	Other deferred revenue	8,984	7,389
			Accrued liabilities	28,012	22,628
Property and equipment, net	12,114	15,723	Total current liabilities	104,643	102,528
Intangible assets, net	51,603	47,125	Notes payable, less current portion	14,191	15,000
Goodwill	31,220	24,220	Financing obligation, less current portion	11,913	14,048
Deferred income tax assets	5,316	1,094	Other liabilities	7,570	9,110
Other long-term assets	14,167	15,611	Deferred income tax liabilities	-	5,298
	\$ 212,649	\$ 205,437	Total liabilities	138,317	145,984
			Shareholders' equity:		
			Common stock	1,353	1,353
			Additional paid-in capital	211,283	211,920
			Retained earnings	61,784	49,968
			Accumulated other comprehensive income	764	641
			Treasury stock at cost, 12,901 and 13,175 shares	(200,852)	(204,429)
			Total shareholders' equity	74,332	59,453
				\$ 212,649	\$ 205,437

Condensed Consolidated Statements of Operations

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

	Quarter Ended		Three Quarters Ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Net sales	\$ 58,736	\$ 37,105	\$ 155,223	\$ 149,463
Cost of sales	<u>12,829</u>	<u>10,284</u>	<u>35,589</u>	<u>41,946</u>
Gross profit	45,907	26,821	119,634	107,517
Selling, general, and administrative	37,762	29,254	102,312	101,231
Stock-based compensation	2,370	(5,104)	5,127	(1,460)
Depreciation	1,423	1,652	4,904	4,925
Amortization	<u>1,238</u>	<u>1,164</u>	<u>3,503</u>	<u>3,504</u>
Income (loss) from operations	3,114	(145)	3,788	(683)
Interest expense, net	<u>(509)</u>	<u>(603)</u>	<u>(1,577)</u>	<u>(1,747)</u>
Income (loss) before income taxes	2,605	(748)	2,211	(2,430)
Income tax benefit (provision)	<u>10,149</u>	<u>(10,220)</u>	<u>9,605</u>	<u>(7,985)</u>
Net income (loss)	<u>\$ 12,754</u>	<u>\$ (10,968)</u>	<u>\$ 11,816</u>	<u>\$ (10,415)</u>
Net income (loss) per common share:				
Basic	\$ 0.90	\$ (0.79)	\$ 0.84	\$ (0.75)
Diluted	0.90	(0.79)	0.84	(0.75)
Weighted average common shares:				
Basic	14,145	13,869	14,068	13,897
Diluted	14,156	13,963	14,133	13,939
Other data:				
Adjusted EBITDA ⁽¹⁾	<u>\$ 8,563</u>	<u>\$ (3,642)</u>	<u>\$ 17,402</u>	<u>\$ 5,375</u>

(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.

Enterprise Division - Financial Summary

(in millions and unaudited)

FY 21 vs. FY 20	Q3FY21	Q3FY20	Chg	%	YTD Q3FY21	YTD Q3FY20	Chg	%	LTM Q3FY21	LTM Q3FY20	Chg	%
Sales	\$ 45.1	\$ 27.5	\$ 17.6	64.2%	\$ 122.6	\$ 114.0	\$ 8.6	7.6%	\$ 156.9	\$ 159.7	(\$2.9)	-1.8%
Cost of Sales	8.4	6.0	2.3	38.7%	23.0	27.0	(4.1)	-15.1%	29.3	37.6	(8.2)	-22.0%
Gross Profit	36.7	21.4	15.3	71.3%	99.7	86.9	12.7	14.7%	127.6	122.2	5.4	4.4%
Gross Profit %	81.5%	78.1%	340	bps	81.3%	76.3%	501	bps	81.3%	76.5%	483	bps
Operating SG&A	27.0	21.8	5.2	23.9%	74.3	73.4	0.9	1.2%	95.6	98.0	(2.4)	-2.4%
Operating SG&A %	59.9%	79.4%	1,950	bps	60.6%	64.4%	381	bps	61.0%	61.3%	40	bps
Adjusted EBITDA	9.7	(0.4)	10.1	-2711.7%	25.3	13.5	11.8	87.8%	31.9	24.2	7.8	32.1%

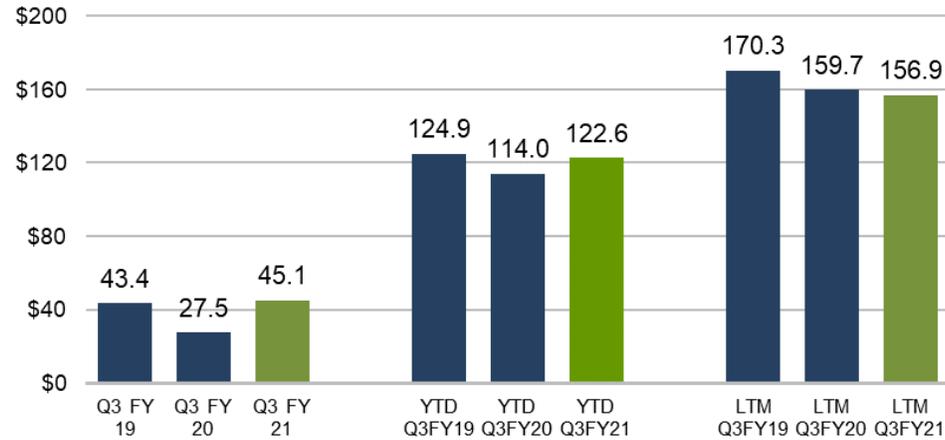
FY 21 vs. FY 19	Q3FY21	Q3FY19	Chg	%	YTD Q3FY21	YTD Q3FY19	Chg	%	LTM Q3FY21	LTM Q3FY19	Chg	%
Sales	\$ 45.1	\$ 43.4	\$ 1.7	3.9%	\$ 122.6	\$ 124.9	(\$2.3)	-1.8%	\$ 156.9	\$ 170.3	(\$13.4)	-7.9%
Cost of Sales	8.4	11.1	(2.8)	-25.0%	23.0	33.2	(10.2)	-30.8%	29.3	43.9	(14.6)	-33.2%
Gross Profit	36.7	32.3	4.5	13.9%	99.7	91.7	7.9	8.7%	127.6	126.4	1.2	0.9%
Gross Profit %	81.5%	74.3%	713	bps	81.3%	73.4%	783	bps	81.3%	74.2%	708	bps
Operating SG&A	27.0	26.5	0.6	2.1%	74.3	76.9	(2.6)	-3.3%	95.6	103.4	(7.8)	-7.5%
Operating SG&A %	59.9%	61.0%	105	bps	60.6%	61.6%	96	bps	61.0%	60.7%	(24)	bps
Adjusted EBITDA	9.7	5.8	3.9	67.5%	25.3	14.8	10.5	70.8%	31.9	23.0	8.9	38.7%

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.

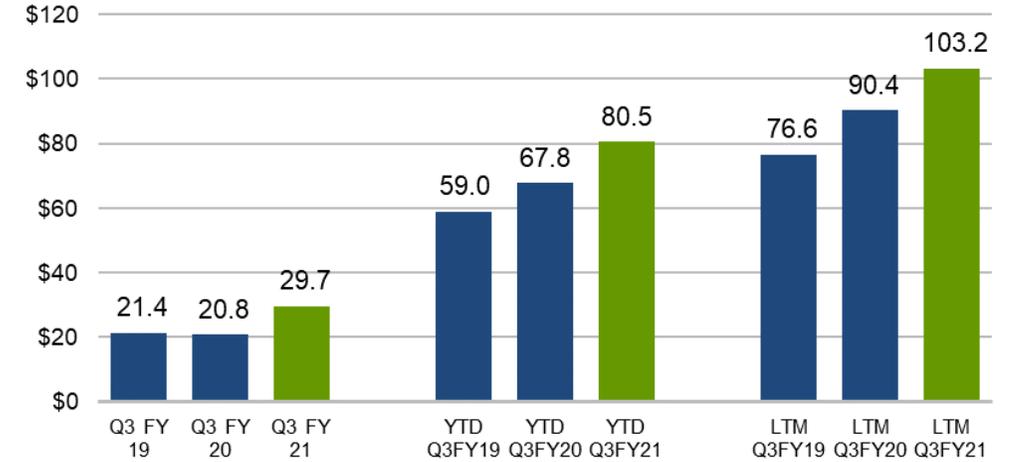
Enterprise Division - Strong Revenue Momentum

(in millions and unaudited)

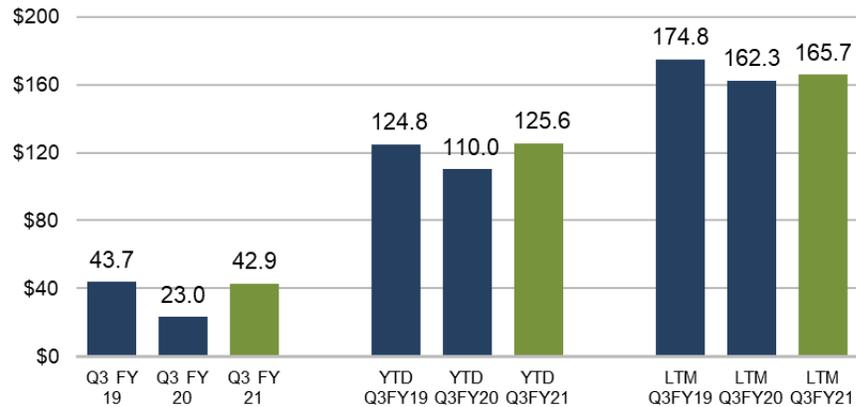
SALES



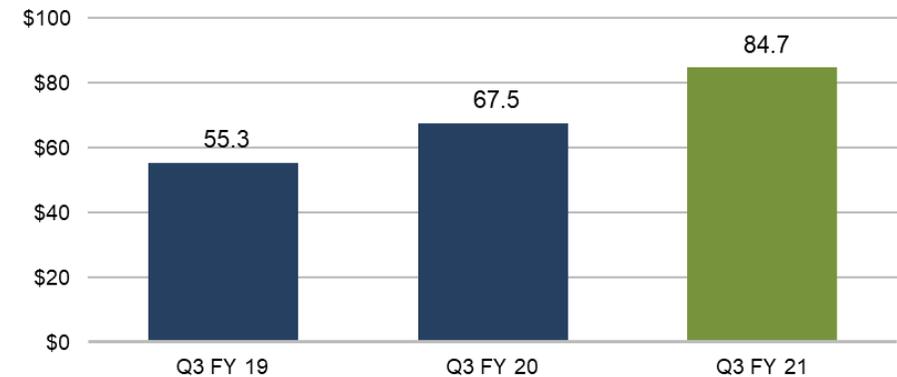
AAP PLUS ADD-ON SALES



INVOICED



DEFERRED & UNBILLED DEFERRED REVENUE



Enterprise Division - AAP & Related Revenue

(in millions and unaudited)

	<i>LTM Q3 2021</i>	<i>Fiscal 2020</i>	<i>Fiscal 2019</i>
AAP Sales	\$69.8	\$62.7	\$53.7
AAP Add on Sales*	33.4	27.8	27.9
Total AAP and Related	103.2	90.5	81.5
Percent of AAP and Related Sales to Total Enterprise Sales	66%	61%	48%
Legacy Sales	25.5	32.9	53.0
International licensees	8.8	8.5	12.9
Other Sales	19.4	16.4	23.2
Total Enterprise Sales	\$156.9	\$148.2	\$170.6

	<i>LTM Q3 2021</i>	<i>Fiscal 2020</i>	<i>Fiscal 2019</i>
North America Sales	\$111.7	\$103.3	\$108.4
International Direct Office Sales	28.8	28.3	39.1
Other Sales	7.7	8.1	10.2
Total Direct Office Division Sales	148.1	139.8	157.8
International Licensees	8.8	8.5	12.9
Total Enterprise Sales	\$156.9	\$148.2	\$170.6

	<i>Q3FY21</i>	<i>Q2FY21</i>	<i>Q1FY 21</i>	<i>Q4 FY20</i>	<i>Q3 FY20</i>
	\$19.2	\$17.5	\$17.0	\$16.0	\$16.4
	10.5	7.3	9.0	6.6	4.4
	29.7	24.8	26.0	22.7	20.8
	66%	65%	66%	66%	76%
	7.3	6.3	5.8	6.2	3.4
	2.4	2.4	2.6	1.3	0.7
	5.7	4.6	5.0	4.0	2.5
	\$45.1	\$38.2	\$39.3	\$34.3	\$27.5

	<i>Q3FY21</i>	<i>Q2FY21</i>	<i>Q1FY 21</i>	<i>Q4 FY20</i>	<i>Q3 FY20</i>
	\$31.6	\$27.0	\$27.4	\$25.7	\$21.6
	8.8	7.0	7.3	5.7	3.4
	2.3	1.8	2.0	1.6	1.8
	42.7	35.7	36.7	32.9	26.8
	2.4	2.4	2.6	1.3	0.7
	\$45.1	\$38.2	\$39.3	\$34.3	\$27.5

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)

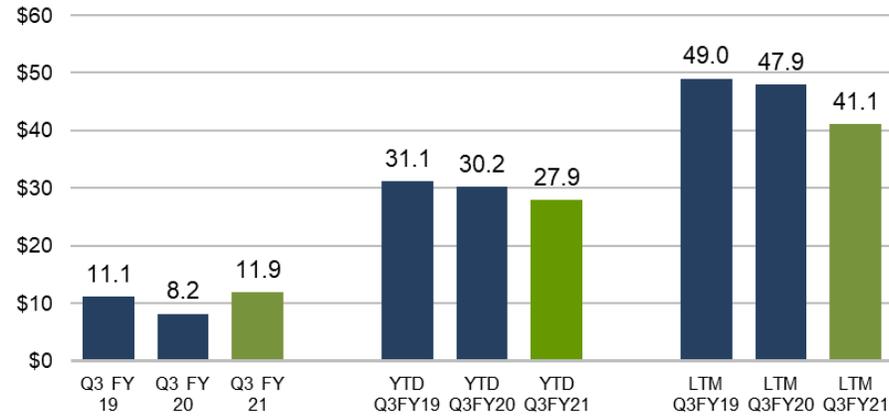
FY 21 vs. FY 20	Q3FY21	Q3FY20	Chg	%	YTD Q3FY21	YTD Q3FY20	Chg	%	LTM Q3FY21	LTM Q3FY20	Chg	%
Sales	\$ 11.9	\$ 8.2	\$ 3.7	44.8%	\$ 27.9	\$ 30.2	(\$2.3)	-7.7%	\$ 41.1	\$ 47.9	(\$6.8)	-14.3%
Cost of Sales	3.7	3.5	0.2	6.1%	10.4	12.4	(2.0)	-16.2%	14.3	18.4	(4.1)	-22.3%
Gross Profit	8.2	4.7	3.5	73.6%	17.5	17.8	(0.3)	-1.8%	26.8	29.5	(2.8)	-9.3%
Gross Profit %	68.7%	57.3%	1,140	bps	62.8%	59.1%	376	bps	65.2%	61.6%	357	bps
Operating SG&A	7.0	6.2	0.8	12.8%	19.5	21.5	(2.0)	-9.4%	25.2	28.3	(3.2)	-11.2%
Operating SG&A %	59.2%	76.0%	1,681	bps	70.0%	71.3%	131	bps	61.3%	59.1%	(216)	bps
Adjusted EBITDA	1.1	(1.5)	2.7	-173.7%	(2.0)	(3.7)	1.7	-45.8%	1.6	1.2	0.4	33.9%
FY 21 vs. FY 19	Q3FY21	Q3FY19	Chg	%	YTD Q3FY21	YTD Q3FY19	Chg	%	LTM Q3FY21	LTM Q3FY19	Chg	%
Sales	\$ 11.9	\$ 11.1	\$ 0.8	7.3%	\$ 27.9	\$ 31.1	(\$3.3)	-10.5%	\$ 41.1	\$ 49.0	(\$7.9)	-16.1%
Cost of Sales	3.7	4.2	(0.5)	-12.3%	10.4	12.5	(2.1)	-16.8%	14.3	17.8	(3.4)	-19.4%
Gross Profit	8.2	6.8	1.3	19.5%	17.5	18.7	(1.2)	-6.2%	26.8	31.2	(4.4)	-14.2%
Gross Profit %	68.7%	61.7%	699	bps	62.8%	60.0%	285	bps	65.2%	63.8%	143	bps
Operating SG&A	7.0	7.0	0.0	0.3%	19.5	20.0	(0.5)	-2.5%	25.2	27.0	(1.8)	-6.7%
Operating SG&A %	59.2%	63.4%	416	bps	70.0%	64.3%	(570)	bps	61.3%	55.1%	(618)	bps
Adjusted EBITDA	1.1	(0.2)	1.3	-723.8%	(2.0)	(1.4)	(0.7)	48.1%	1.6	4.2	(2.6)	-62.1%

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.

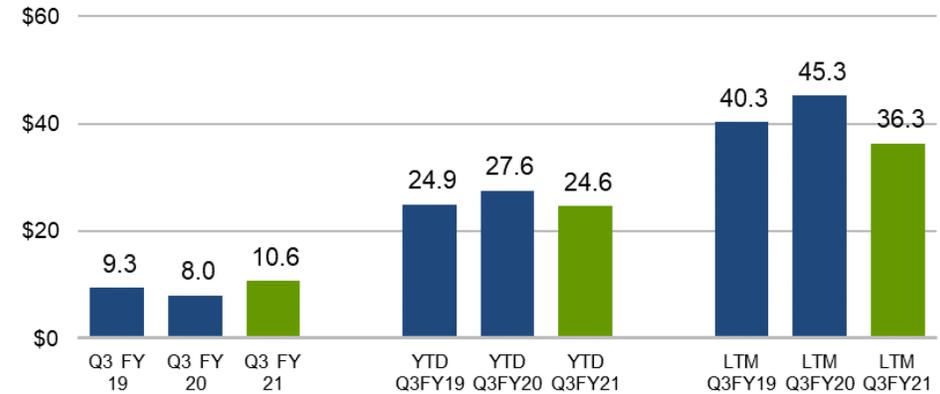
Education Division - Revenue Momentum

(in millions and unaudited)

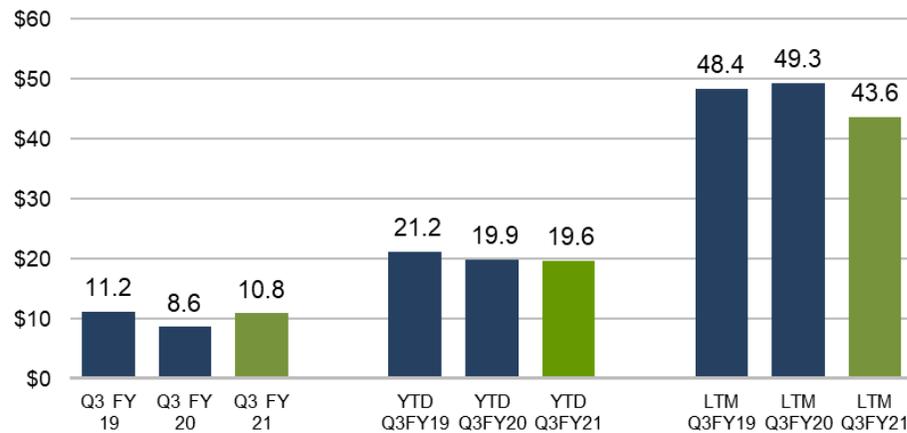
SALES



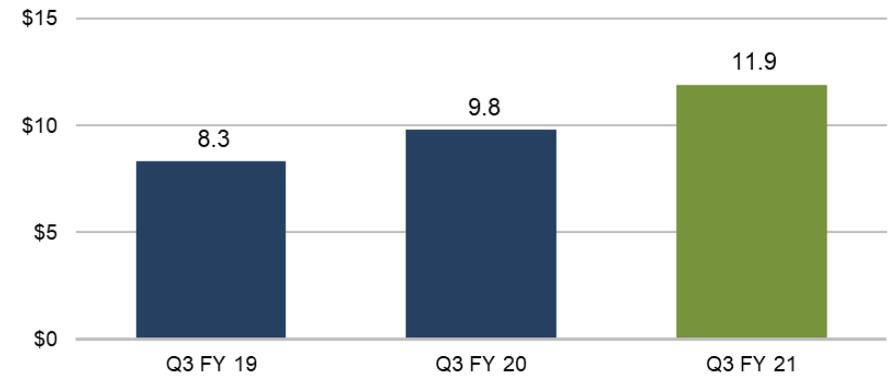
EDUCATION SUBSCRIPTION PLUS SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED REVENUE



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 can be 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).