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FranklinCovey™

Investor Update

Fiscal Year 2024



Forward-Looking Statements/Non-GAAP



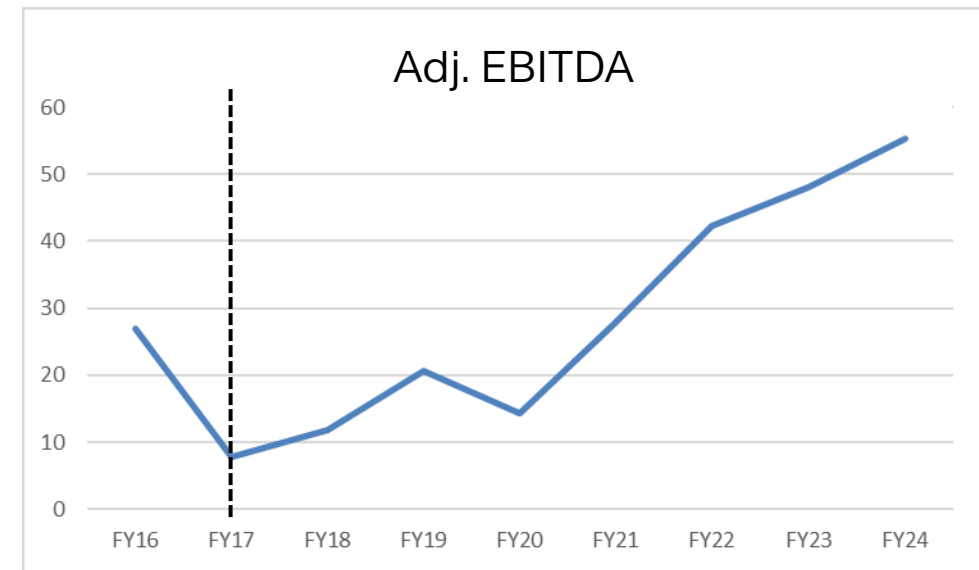
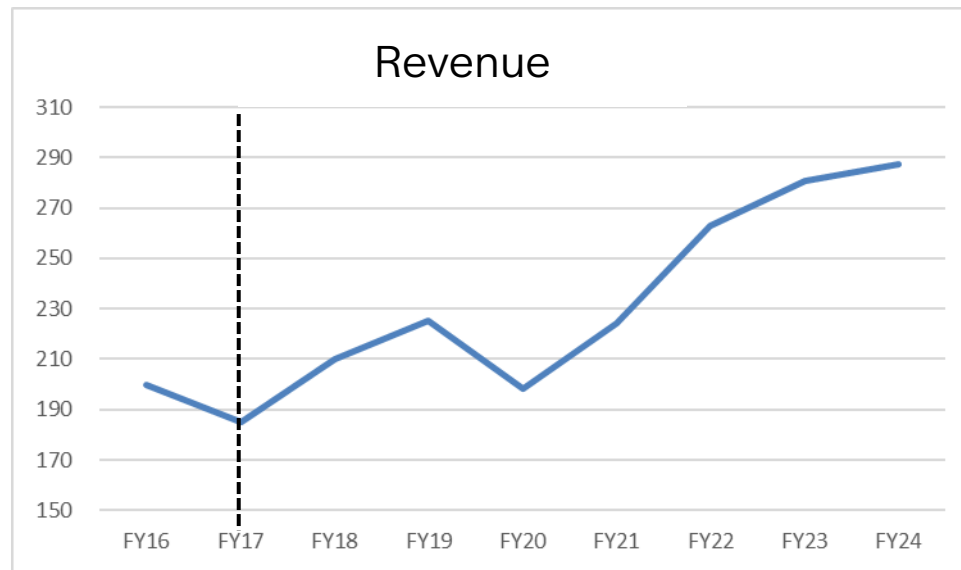
This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon management's current expectations and are subject to various risks and uncertainties including, but not limited to: The ability of the Company to grow revenues; The acceptance of, and renewal rates for our subscription offerings, including the All Access Pass and Leader in Me memberships; The ability of the Company to hire productive sales and other client-facing 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.

Revenue and Adjusted EBITDA Growth

(in millions, unaudited)

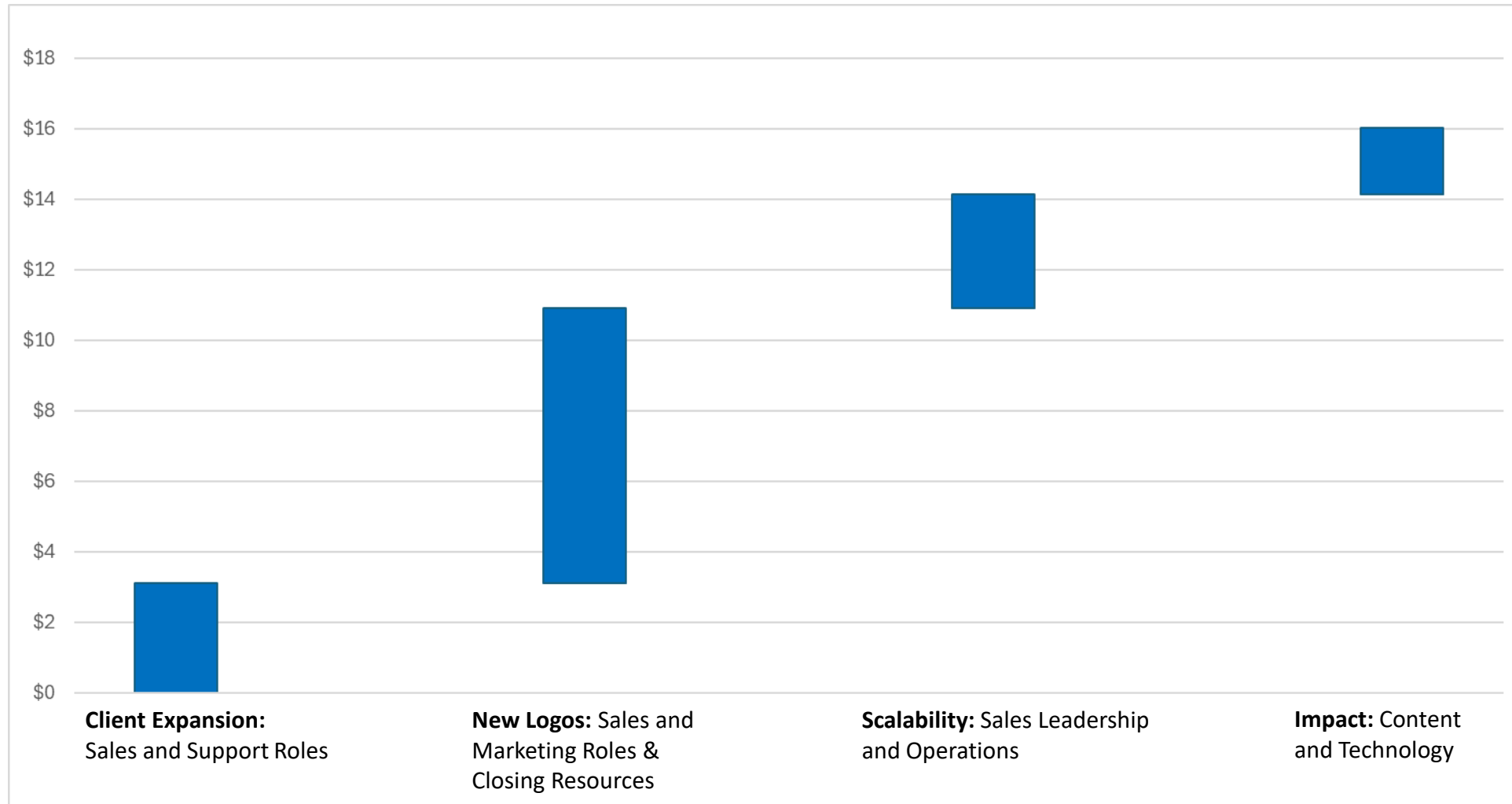


--FY17 was the first full year under AAP subscription model.

Note: Adjusted EBITDA is a non-GAAP, please see Appendix for additional information.

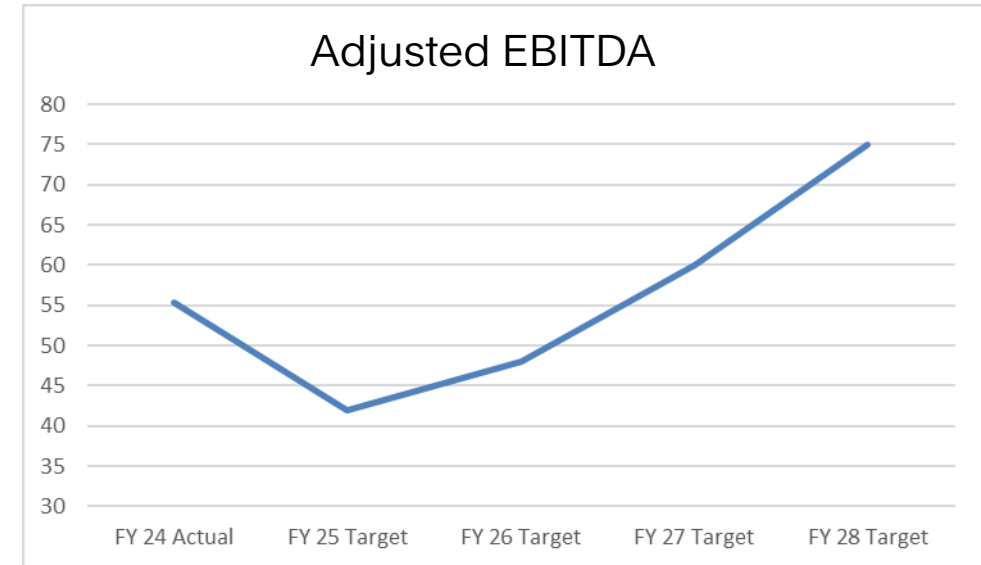
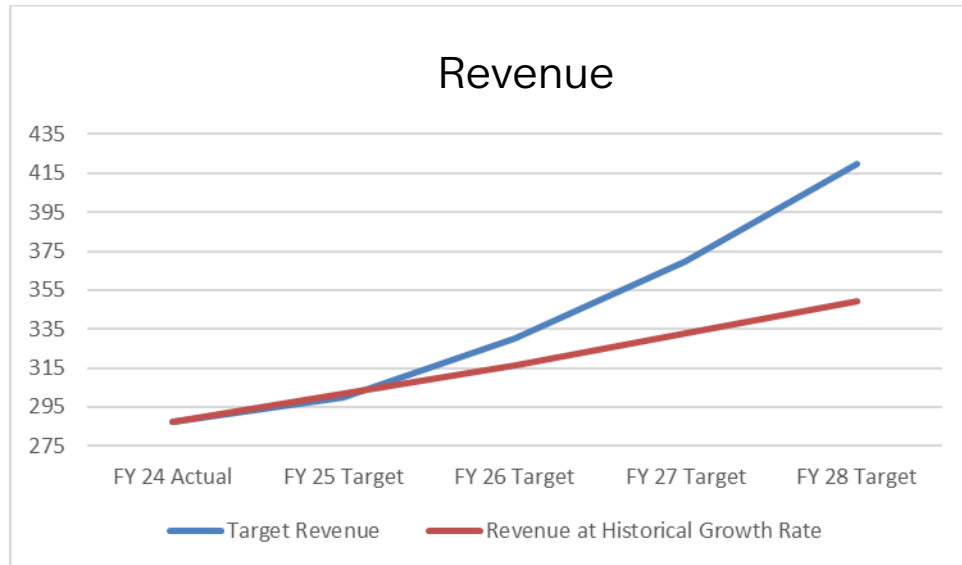
FY25 Growth Investments

(in millions, unaudited)



Franklin Covey Target Growth Trajectory

(in millions, unaudited)



Note: Adjusted EBITDA is a non-GAAP, please see Appendix for additional information.

Franklin Covey

(FY24 and Q4FY24 unaudited)



\$84.1M

Q4FY24 Revenue

\$78.0M Q4FY23

\$287.2M

FY24 Revenue

\$280.5M FY23

\$22.9M

Q4FY24 Adjusted EBITDA

\$16.5M Q4FY23

\$55.3M

FY24 Adjusted EBITDA

\$48.1M FY23

\$60.3M

Cash Flows from Operating Activities

\$35.7M FY23

\$48.9M

Free Cash Flows

\$22.2M FY23

Note: Adjusted EBITDA is a non-GAAP, please see Appendix for additional information.

Enterprise Division - North America

(FY24 and Q4FY24 unaudited)



\$156.5M

Revenue

\$45.1M Q4FY24

\$89.1M

Subscription Revenue

\$22.6M Q4FY24

\$138.9M

**Subscription & Subscription
Services Revenue**

\$36.7M Q4FY24

\$49.3M

Billed Deferred Revenue

\$49.9M FY23

\$68.4M

Unbilled Deferred Revenue

\$80.6M FY23

59%

AAP Multi-Year Contract Value

Enterprise Division - International

(FY24 and Q4FY24 unaudited)



\$33.1M

Revenue - International Direct

\$8.7M Q4FY24

\$11.2M

**Revenue - International Licensee
Partners**

\$2.6M Q4FY24

Education Division

(FY24 and Q4FY24 unaudited)



\$73.5M

Revenue

\$24.1M Q4FY24

\$81.4M

Invoiced Amounts

\$44.4M Q4FY24

\$67.0M

**Subscription & Subscription
Service Revenue**

\$22.6M Q4FY24

\$48.5M

**Deferred Revenue
(Billed)**

\$40.7M FY23

Free Cash Flow

(in thousands)



YEAR ENDED AUGUST 31,	2024	2023
<i>In thousands</i>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 23,402	\$ 17,781
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,153	8,613
Amortization of capitalized curriculum development costs	3,172	3,084
Deferred income taxes	1,885	4,748
Stock-based compensation expense	10,142	12,520
Impaired asset	928	-
Change in the fair value of contingent consideration liabilities	-	7
Amortization of right-of-use operating lease assets	760	834
Changes in working capital	11,815	(11,849)
Net cash provided by operating activities	<u>60,257</u>	<u>35,738</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,694)	(4,515)
Capitalized curriculum development costs	(6,866)	(9,035)
Acquisition of content rights	(750)	-
Net cash used for investing activities	<u>(11,310)</u>	<u>(13,550)</u>
Free Cash Flow	<u>\$ 48,947</u>	<u>\$ 22,188</u>



Appendix

Other Information



OTHER INCOME STATEMENT INFORMATION:

- Depreciation: \$3.9M in FY2024, expected to total approximately \$3.5M in FY2025.
- Amortization: \$4.2M in FY2024, expected to total approximately \$4.2 in FY2025.
- Net Interest Expense: \$0.0M in FY2024 and Net Interest Income expected to total approximately \$0.5M in FY2025.
- Share-based Compensation, Impaired Assets, Restructuring, Accrued Earnout and Other amounts excluded from Adjusted EBITDA totaling \$14.1M in FY2024; expected to total approximately \$14.5M in FY2025.
- Effective Tax Rate: Our normalized future effective tax rate is expected to eventually be 28% to 32%, before unusual permanent book/tax differences. The actual tax rate could be a significantly different percentage, and we are not projecting an FY25 effective rate.

OTHER INFORMATION:

- Capital Expenditures: \$3.7M in FY2024, expected to total approximately \$4.3M to \$6.3M in FY2025.
- Capitalized Curriculum excluding acquired content: \$6.9M in FY2024, expected to total approximately \$8.3M to \$10.3M in FY2025.
- Share Count: 12,967k shares outstanding as of August 31, 2024. 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.
- There were 264 salespeople on August 31, 2024.
- The impact of FX on Revenue and Adjusted EBITDA in Fiscal 24 was an unfavorable \$900K and \$500K, respectively. The impact of FX on Revenue and Adjusted EBITDA in the 4th Quarter of Fiscal 24 was an unfavorable \$300K and \$100K, respectively.

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

Franklin Covey Financial Headlines

(in millions and unaudited)



	<u>Fiscal 2024</u>	<u>Fiscal 2023</u>	<u>Chg</u>	<u>%</u>	<u>Q4 FY 24</u>	<u>Q4 FY 23</u>	<u>Chg</u>	<u>%</u>
Revenue	\$ 287.2	\$ 280.5	\$ 6.7	2.4%	\$ 84.1	\$ 78.0	\$ 6.2	7.9%
Cost of Sales	66.2	67.0	(0.9)	-1.3%	18.4	18.6	(0.3)	-1.4%
Gross Profit	221.1	213.5	7.6	3.6%	65.7	59.3	6.4	10.8%
Gross Profit %	77.0%	76.1%	86	bps	78.1%	76.1%	207	bps
Operating SG&A	165.8	165.4	0.4	0.2%	42.8	42.8	0.0	0.0%
Operating SG&A %	57.7%	59.0%	125	bps	50.9%	54.9%	402	bps
Adjusted EBITDA	\$ 55.3	\$ 48.1	\$ 7.2	15.0%	\$ 22.9	\$ 16.5	\$ 6.4	38.9%
Adjusted EBITDA %	19.2%	17.1%			27.3%	21.2%		

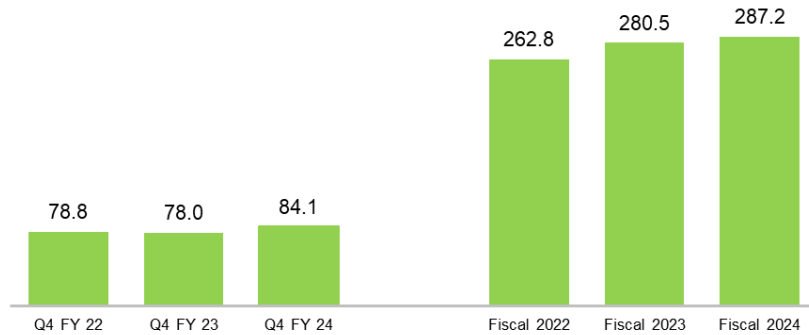
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures; please see Appendix for additional information. Amounts may not total due to rounding.

Franklin Covey Highlights

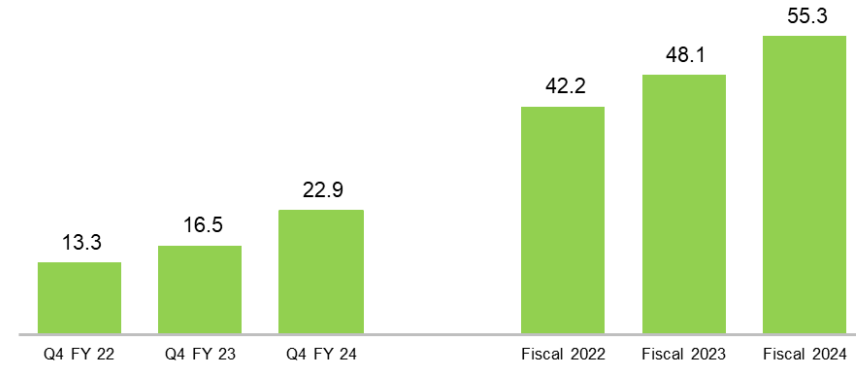
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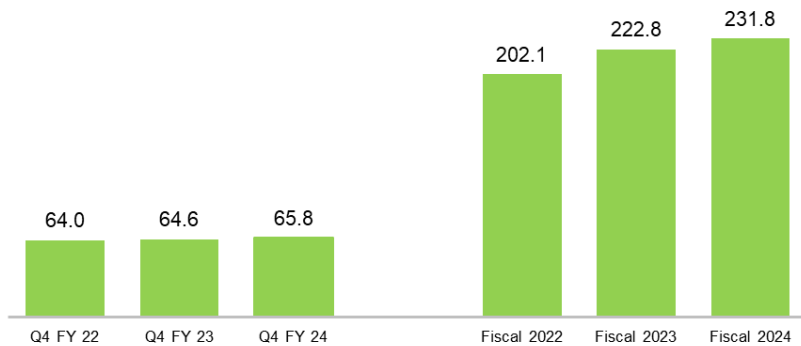
REVENUE



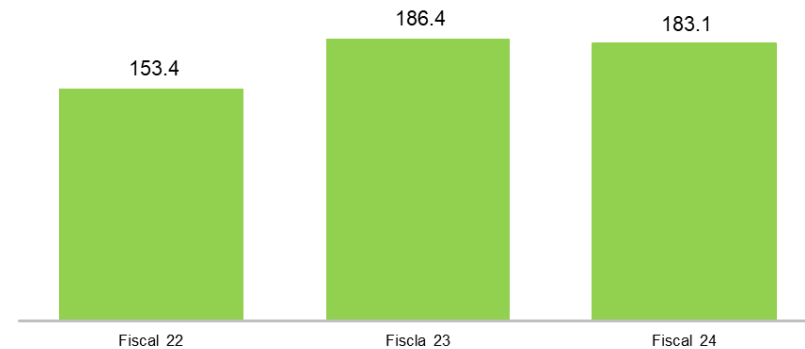
ADJUSTED EBITDA



SUBSCRIPTION AND SUBSCRIPTION SERVICES REVENUE



DEFERRED & UNBILLED DEFERRED SUBSCRIPTION REVENUE



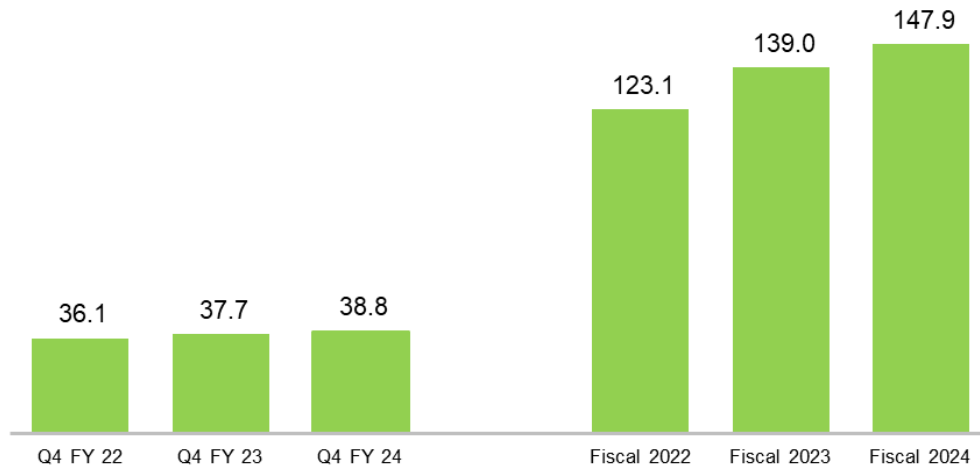
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Trends in the Business

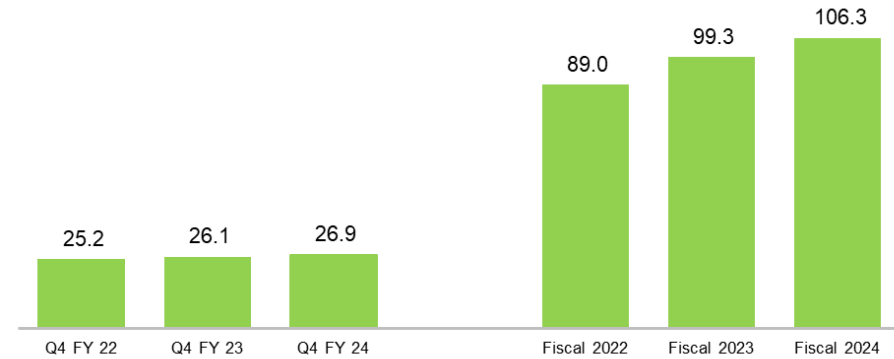
(in millions and unaudited)



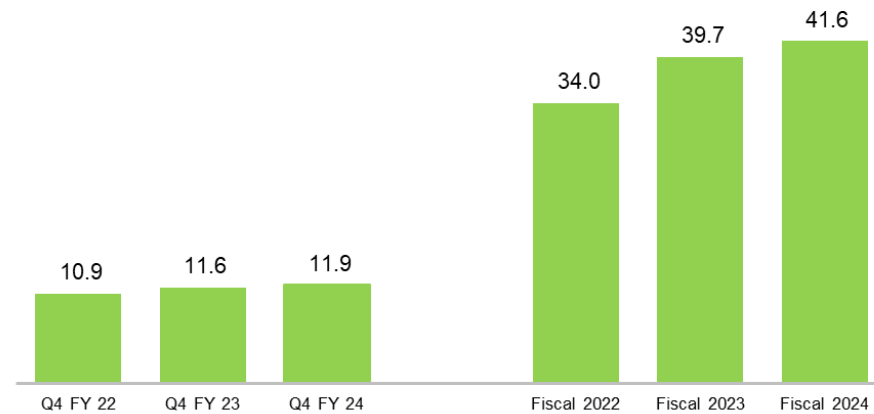
SUBSCRIPTION REVENUE



AAP AND OTHER SUBSCRIPTION REVENUE



EDUCATION SUBSCRIPTION REVENUE



Revenue Information

(in millions and unaudited)



	FY 2022					FY 2023					FY 2024				
	Q1	Q2	Q3	Q4	FY2022	Q1	Q2	Q3	Q4	FY2023	Q1	Q2	Q3	Q4	FY2024
Revenue															
Reported Revenue	61.3	56.6	66.2	78.8	262.8	69.4	61.8	71.4	78.0	280.5	68.4	61.3	73.4	84.1	287.2
Change in Deferred Revenue	(9.3)	2.6	(1.8)	19.5	11.0	(11.4)	(0.6)	(3.4)	26.3	11.0	(11.9)	(1.1)	(2.3)	24.1	8.9
Invoiced Amount	52.0	59.2	64.4	98.3	273.9	58.0	61.2	68.1	104.3	291.5	56.5	60.2	71.1	108.2	296.1
Balance Sheet															
Roll-Forward of Deferred Subscription Revenue															
Beginning Balance (deferred revenue)	77.0	67.8	70.4	68.5	77.0	88.1	76.7	76.1	72.7	88.1	99.0	87.2	86.1	83.8	99.0
Subscription Invoiced	19.1	30.6	28.8	55.6	134.1	21.6	32.3	31.9	64.0	150.0	24.7	34.6	34.5	62.9	156.8
Amounts Recorded to Revenue	(28.4)	(28.0)	(30.6)	(36.1)	(123.1)	(33.0)	(32.9)	(35.3)	(37.7)	(139.0)	(36.6)	(35.7)	(36.7)	(38.8)	(147.9)
Change in Deferred Revenue	(9.3)	2.6	(1.8)	19.5	11.0	(11.4)	(0.6)	(3.4)	26.3	11.0	(11.9)	(1.1)	(2.3)	24.1	8.9
Ending Balance (Def Subscription Revenue)	67.8	70.4	68.5	88.1	88.1	76.7	76.1	72.7	99.0	99.0	87.2	86.1	83.8	107.9	107.9
Unbilled Deferred Contracts															
Beginning Balance (off balance sheet)	50.4	53.4	49.0	48.0	50.4	65.4	74.9	69.7	68.2	65.4	87.4	82.5	72.7	69.4	87.4
New Unbilled Contracts	8.6	9.4	8.0	27.4	53.4	14.7	11.7	8.9	31.9	67.0	7.2	8.8	8.9	20.5	45.4
Amounts Invoiced	(5.6)	(13.8)	(9.0)	(10.0)	(38.4)	(5.1)	(16.9)	(10.3)	(12.6)	(45.0)	(11.7)	(18.5)	(12.2)	(14.8)	(57.1)
Ending Balance (off balance sheet)	53.4	49.0	48.0	65.4	65.4	74.9	69.7	68.2	87.4	87.4	82.5	72.7	69.4	75.2	75.2
Breakout of Deferred Sales (above)															
Subscription Invoiced Amounts															
All Access Pass Subscriptions	16.4	28.2	20.8	26.7	92.1	18.6	28.4	20.8	28.9	96.7	19.4	28.3	23.0	27.2	97.9
Education Subscription Contracts	2.5	2.1	7.8	26.9	39.3	2.9	2.6	9.2	32.9	47.6	3.4	4.7	9.2	30.7	47.9
Other	0.2	0.3	0.2	2.0	2.7	0.2	1.4	1.9	2.2	5.7	1.9	1.6	2.3	3.5	9.4
Total Additions to balance sheet	19.1	30.6	28.8	55.6	134.1	21.6	32.3	31.9	64.0	150.0	24.7	34.6	34.5	62.9	156.8

Notes:

- Invoiced Amounts represent the amount billed (invoiced) in the period. The Invoiced Amount is equal to Reported Net Revenue, plus the associated change in Deferred Subscription Revenue 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 Revenue, which is added to Reported Net Revenue to equal the Invoiced Amount, and the Change in Deferred Revenue 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 Revenue over the course of the contract and Consulting which is recognized as Revenue upon delivery. These combined performance obligations are contracted, invoiced and paid together. See Deferred Subscription Revenue in the Definitions

Franklin Covey Contracts Signed

(in millions and unaudited)



Fourth Quarter	Enterprise Division				Education Division				Corporate			Total Company			
	FY24	FY23	Change	%	FY24	FY23	Change	%	FY24	FY23	Change	FY24	FY23	Change	%
Revenue	58.5	52.4	6.1	11.6%	24.1	24.1	0.0	0.0%	1.5	1.4	0.1	84.1	78.0	6.2	7.9%
Change in Deferred Subscription Revenue	3.8	5.1	(1.4)	-26.4%	20.3	21.2	(0.8)	-4.0%	-	-	-	24.1	26.3	(2.2)	-8.4%
Invoiced Amounts	62.3	57.6	4.7	8.2%	44.4	45.3	(0.8)	-1.9%	1.5	1.4	0.1	108.2	104.3	4.0	3.8%
Change in Unbilled Deferred Revenue	5.6	19.3	(13.7)		0.2	(0.1)	0.3		(0.0)	(0.0)	0.0	5.8	19.2	(13.4)	
Total Contracts Signed	67.9	76.9	(9.0)	-11.7%	44.6	45.2	(0.6)	-1.3%	1.5	1.4	0.1	114.0	123.5	(9.5)	-7.7%

Fiscal Year	Enterprise Division				Education Division				Corporate			Total Company			
	FY24	FY23	Change	%	FY24	FY23	Change	%	FY24	FY23	Change	FY24	FY23	Change	%
Revenue	208.8	205.7	3.2	1.5%	73.5	69.7	3.8	5.4%	4.9	5.1	(0.2)	287.2	280.5	6.7	2.4%
Change in Deferred Subscription Revenue	0.9	3.2	(2.2)	-70.2%	7.9	7.8	0.1	1.1%	0.0	(0.0)	0.0	8.9	11.0	(2.1)	-19.4%
Invoiced Amounts	209.8	208.8	1.0	0.5%	81.4	77.6	3.9	5.0%	4.9	5.1	(0.2)	296.1	291.5	4.6	1.6%
Change in Unbilled Deferred Revenue	(12.2)	22.0	(34.3)	-155.6%	0.0	0.0	0.0	327.3%	(0.0)	0.0	(0.0)	(12.2)	22.0	(34.2)	-155.5%
Total Contracts Signed	197.5	230.8	(33.3)	-14.4%	81.4	77.6	3.9	5.0%	4.9	5.1	(0.2)	283.9	313.5	(29.7)	-9.5%

As of August 31	Enterprise Division				Education Division				Corporate			Total Company			
	FY24	FY23	Change	%	FY24	FY23	Change	%	FY24	FY23	Change	FY24	FY23	Change	%
Deferred Subscription Revenue Balance	59.4	58.4	1.0	1.7%	48.5	40.7	7.9	19.4%	-	-	-	107.9	99.0	8.9	8.9%
Unbilled Deferred Revenue Balance	74.4	86.6	(12.2)	-14.1%	0.8	0.8	0.0	2.7%	-	-	-	75.2	87.4	(12.2)	-14.0%
Total	133.7	145.0	(11.3)	-7.8%	49.4	41.4	7.9	19.1%	-	-	-	183.1	186.4	(3.4)	-1.8%

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 Income to Adjusted EBITDA

(in millions and unaudited)



	Quarter Ended		Fiscal Year Ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 11,956	\$ 6,812	\$ 23,402	\$ 17,781
Adjustments:				
Interest expense (income), net	(63)	122	(4)	492
Income tax provision	6,035	3,634	9,644	8,088
Amortization	1,045	1,071	4,248	4,342
Depreciation	910	1,141	3,905	4,271
Stock-based compensation	3,050	3,163	10,142	12,520
Restructuring costs	-	565	3,008	565
Impaired asset	-	-	928	-
Increase in the fair value of contingent consideration liabilities	-	-	-	7
Adjusted EBITDA	<u>\$ 22,933</u>	<u>\$ 16,508</u>	<u>\$ 55,273</u>	<u>\$ 48,066</u>
Adjusted EBITDA margin	27.3%	21.2%	19.2%	17.1%

Note: The term Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Income (Loss) to Adjusted EBITDA.

Additional Financial Information

(in millions and unaudited)



	Quarter Ended		Fiscal Year Ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Revenue by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 56,100	\$ 49,827	\$ 197,610	\$ 194,021
International licensees	2,403	2,597	11,229	11,645
	58,503	52,424	208,839	205,666
Education Division	24,117	24,105	73,519	69,736
Corporate and other	1,504	1,426	4,875	5,119
Consolidated	\$ 84,124	\$ 77,955	\$ 287,233	\$ 280,521
Gross Profit by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 47,243	\$ 40,715	\$ 162,430	\$ 156,915
International licensees	2,110	2,323	9,971	10,507
	49,353	43,038	172,401	167,422
Education Division	15,992	15,921	47,149	44,418
Corporate and other	392	346	1,522	1,650
Consolidated	\$ 65,737	\$ 59,305	\$ 221,072	\$ 213,490
Adjusted EBITDA by Division/Segment:				
Enterprise Division:				
Direct offices	\$ 17,399	\$ 11,986	\$ 50,376	\$ 44,198
International licensees	1,076	1,087	5,647	5,874
	18,475	13,073	56,023	50,072
Education Division	6,930	6,118	9,522	7,426
Corporate and other	(2,472)	(2,683)	(10,272)	(9,432)
Consolidated	\$ 22,933	\$ 16,508	\$ 55,273	\$ 48,066

Note: The term Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Income (Loss) to Adjusted EBITDA.

Condensed Consolidated Balance Sheets

(in millions and unaudited)



	August 31, 2024	August 31, 2023
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 48,663	\$ 38,230
Accounts receivable, less allowance for doubtful accounts of \$3,015 and \$3,790	86,002	81,935
Inventories	4,002	4,213
Prepaid expenses and other current assets	21,586	20,639
Total current assets	<u>160,253</u>	<u>145,017</u>
Property and equipment, net	8,736	10,039
Intangible assets, net	37,766	40,511
Goodwill	31,220	31,220
Deferred income tax assets	870	1,661
Other long-term assets	22,694	17,471
	<u>\$ 261,539</u>	<u>\$ 245,919</u>

	August 31, 2024	August 31, 2023
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Current portion of notes payable	\$ 835	\$ 5,835
Current portion of financing obligation	3,111	3,538
Accounts payable	7,863	6,501
Deferred subscription revenue	101,218	95,386
Customer deposits	16,972	12,137
Accrued liabilities	32,454	28,252
Total current liabilities	<u>162,453</u>	<u>151,649</u>
Notes payable, less current portion	775	1,535
Financing obligation, less current portion	1,312	4,424
Other liabilities	10,732	7,617
Deferred income tax liabilities	3,132	2,040
Total liabilities	<u>178,404</u>	<u>167,265</u>
Shareholders' equity:		
Common stock	1,353	1,353
Additional paid-in capital	231,813	232,373
Retained earnings	123,204	99,802
Accumulated other comprehensive loss	(768)	(987)
Treasury stock at cost, 14,084 and 13,974 shares	(272,467)	(253,887)
Total shareholders' equity	<u>83,135</u>	<u>78,654</u>
	<u>\$ 261,539</u>	<u>\$ 245,919</u>

Condensed Consolidated Income Statements

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



	Quarter Ended		Fiscal Year Ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Revenue	\$ 84,124	\$ 77,955	\$ 287,233	\$ 280,521
Cost of revenue	18,387	18,650	66,161	67,031
Gross profit	65,737	59,305	221,072	213,490
Selling, general, and administrative	45,854	46,525	175,941	178,516
Restructuring costs	-	-	3,008	-
Impaired asset	-	-	928	-
Depreciation	910	1,141	3,905	4,271
Amortization	1,045	1,071	4,248	4,342
Income from operations	17,928	10,568	33,042	26,361
Interest income (expense), net	63	(122)	4	(492)
Income before income taxes	17,991	10,446	33,046	25,869
Income tax provision	(6,035)	(3,634)	(9,644)	(8,088)
Net income	\$ 11,956	\$ 6,812	\$ 23,402	\$ 17,781
Net income per common share:				
Basic	\$ 0.92	\$ 0.52	\$ 1.78	\$ 1.30
Diluted	0.89	0.49	1.74	1.24
Weighted average common shares:				
Basic	13,020	13,162	13,171	13,640
Diluted	13,387	13,886	13,472	14,299
Other data:				
Adjusted EBITDA ⁽¹⁾	\$ 22,935	\$ 16,508	\$ 55,275	\$ 48,066

(1) The term Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Income (Loss) to Adjusted EBITDA.

Free Cash Flow

(in thousands)



YEAR ENDED AUGUST 31,	2024	2023
<i>In thousands</i>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 23,402	\$ 17,781
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,153	8,613
Amortization of capitalized curriculum development costs	3,172	3,084
Deferred income taxes	1,885	4,748
Stock-based compensation expense	10,142	12,520
Impaired asset	928	-
Change in the fair value of contingent consideration liabilities	-	7
Amortization of right-of-use operating lease assets	760	834
Changes in working capital	11,815	(11,849)
Net cash provided by operating activities	<u>60,257</u>	<u>35,738</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,694)	(4,515)
Capitalized curriculum development costs	(6,866)	(9,035)
Acquisition of content rights	(750)	-
Net cash used for investing activities	<u>(11,310)</u>	<u>(13,550)</u>
Free Cash Flow	<u>\$ 48,947</u>	<u>\$ 22,188</u>

Enterprise Division Financial Summary

(in millions and unaudited)



	<u>Fiscal 2024</u>	<u>Fiscal 2023</u>	<u>Chg</u>	<u>%</u>	<u>Q4 FY 24</u>	<u>Q4 FY 23</u>	<u>Chg</u>	<u>%</u>
Revenue	\$ 208.8	\$ 205.7	\$ 3.2	1.5%	\$ 58.5	\$ 52.4	\$ 6.1	11.6%
Cost of Sales	36.4	38.2	(1.8)	-4.7%	9.1	9.4	(0.2)	-2.5%
Gross Profit	172.4	167.4	5.0	3.0%	49.4	43.0	6.3	14.7%
Gross Profit %	82.6%	81.4%	115	bps	84.4%	82.1%	226	bps
Operating SG&A	116.4	117.3	(1.0)	-0.8%	30.9	30.0	0.9	3.0%
Operating SG&A %	55.7%	57.1%	133	bps	52.8%	57.2%	438	bps
Adjusted EBITDA	\$ 56.0	\$ 50.1	\$ 6.0	11.9%	\$ 18.5	\$ 13.1	\$ 5.4	41.3%
Adjusted EBITDA %	26.8%	24.3%			31.6%	24.9%		

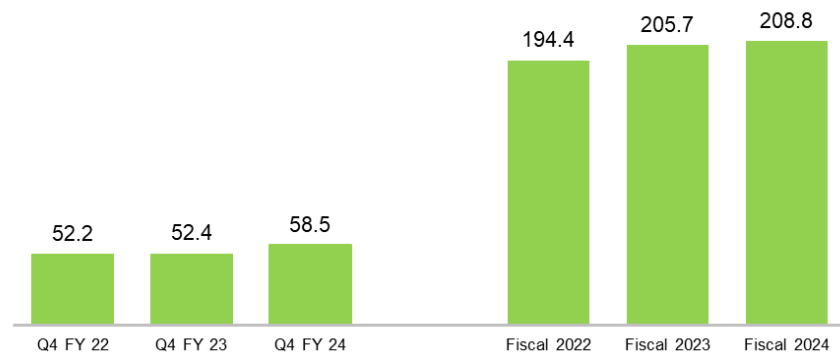
Note: The term Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Income (Loss) to Adjusted EBITDA.

Enterprise Division Financial Summary

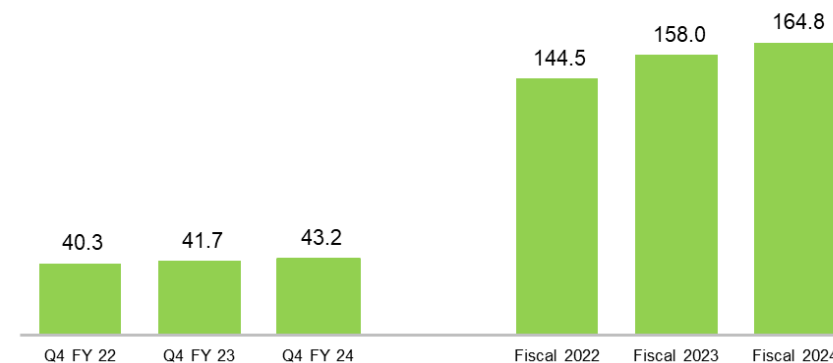
(in millions and unaudited)



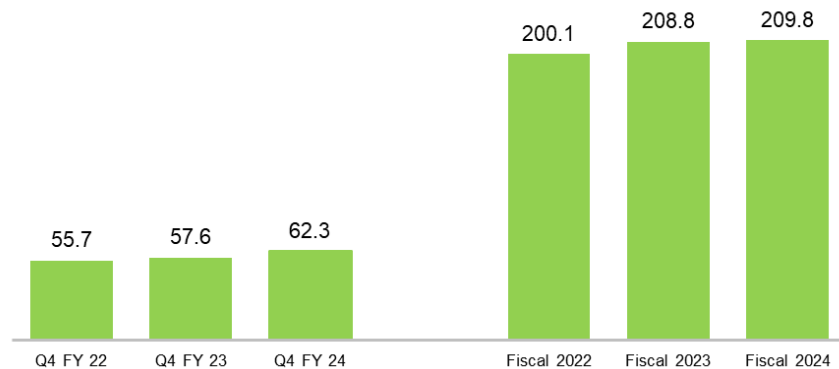
REVENUE



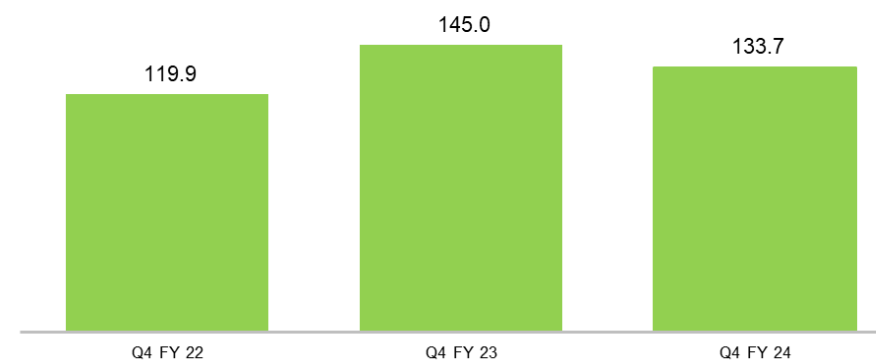
AAP SUBSCRIPTION AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED SUBSCRIPTION REVENUE



Enterprise Division AAP & Related Revenue

(in millions and unaudited)



	<i>Fiscal 2024</i>	<i>Fiscal 2023</i>	<i>Fiscal 2022</i>
AAP Sales	\$106.3	\$99.3	\$89.0
AAP Add on Sales*	58.5	58.7	55.5
Total AAP and Related	164.8	158.0	144.5
AAP Related Services Attach Rate	55%	59%	62%
Legacy Sales	24.8	27.5	30.8
International licensees	11.2	11.6	10.6
Other Sales	7.9	8.5	8.5
Total Enterprise Sales	\$208.8	\$205.7	\$194.4

	<i>Fiscal 2024</i>	<i>Fiscal 2023</i>	<i>Fiscal 2022</i>
North America Sales	\$156.5	\$150.3	\$142.1
International Direct Office Sales	33.1	35.2	33.3
Other Sales	7.9	8.5	8.5
Total Direct Office Division Sales	197.6	194.0	183.8
International Licensees	11.2	11.6	10.6
Total Enterprise Sales	\$208.8	\$205.7	\$194.4

	<i>Q4FY24</i>	<i>Q3FY24</i>	<i>Q2FY24</i>	<i>Q1FY24</i>	<i>Q4FY23</i>
	\$26.9	\$26.3	\$26.3	\$26.8	\$26.1
	16.3	16.2	11.2	14.8	15.6
	43.2	42.6	37.5	41.6	41.7
	61%	62%	43%	55%	60%
	10.6	4.9	3.9	5.4	6.2
	2.4	2.7	2.7	3.4	2.6
	2.3	1.9	1.6	2.2	1.9
	\$58.5	\$52.0	\$45.7	\$52.6	\$52.4
	<i>Q4FY24</i>	<i>Q3FY24</i>	<i>Q2FY24</i>	<i>Q1FY24</i>	<i>Q4FY23</i>
	\$45.1	\$39.0	\$34.1	\$38.4	\$38.4
	\$8.7	\$8.5	\$7.2	\$8.7	\$9.5
	2.3	1.9	1.6	2.2	1.9
	56.1	49.3	43.0	49.2	49.8
	2.4	2.7	2.7	3.4	2.6
	\$58.5	\$52.0	\$45.7	\$52.6	\$52.4

Education Division Financial Summary

(in millions and unaudited)



	<u>Fiscal 2024</u>	<u>Fiscal 2023</u>	<u>Chg</u>	<u>%</u>	<u>Q4 FY 24</u>	<u>Q4 FY 23</u>	<u>Chg</u>	<u>%</u>
Revenue	\$ 73.5	\$ 69.7	\$ 3.8	5.4%	\$ 24.1	\$ 24.1	\$ 0.0	0.0%
Cost of Sales	26.4	25.3	1.1	4.2%	8.1	8.2	(0.1)	-0.7%
Gross Profit	47.1	44.4	2.7	6.1%	16.0	15.9	0.1	0.4%
Gross Profit %	64.1%	63.7%	44	bps	66.3%	66.0%	26	bps
Operating SG&A	37.6	37.0	0.6	1.7%	9.1	9.8	(0.7)	-7.6%
Operating SG&A %	51.2%	53.0%	187	bps	37.6%	40.7%	310	bps
Adjusted EBITDA	\$ 9.5	\$ 7.4	\$ 2.1	28.2%	\$ 6.9	\$ 6.1	\$ 0.8	13.3%

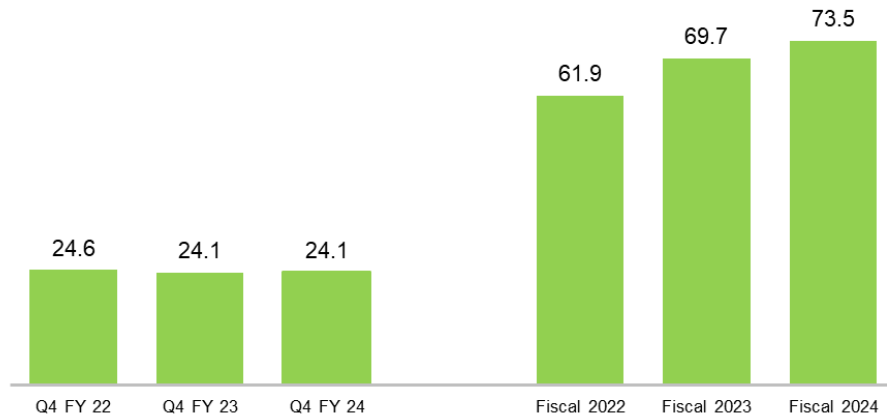
Note: The term Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Income (Loss) to Adjusted EBITDA.

Education Division Financial Summary

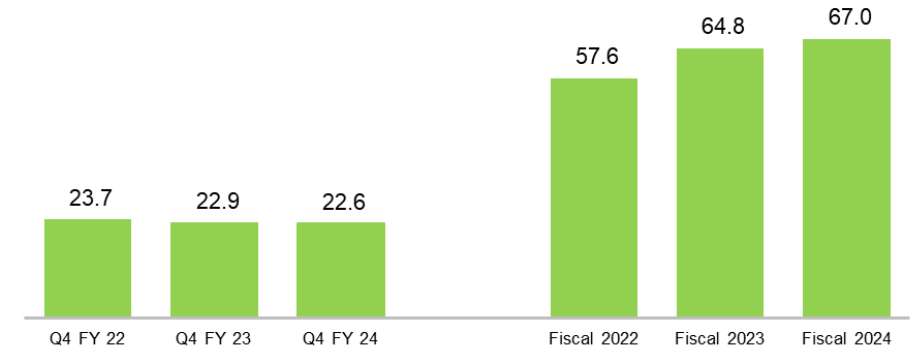
(in millions and unaudited)



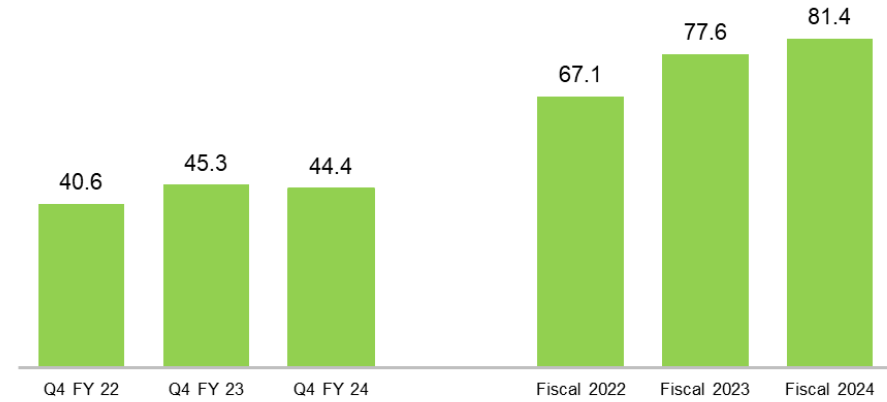
REVENUE



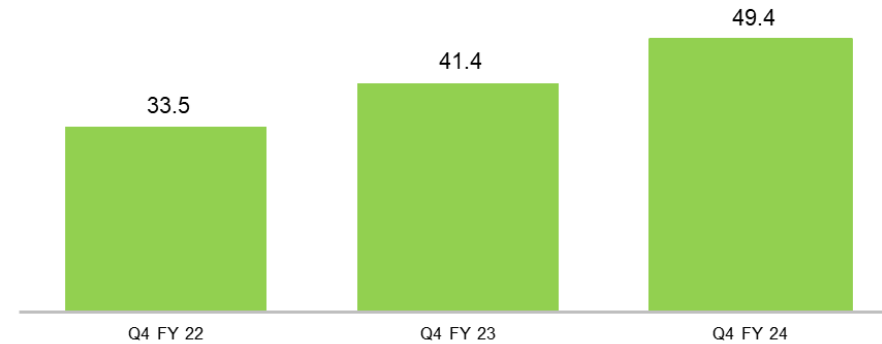
EDUCATION SUBSCRIPTION AND SUBSCRIPTION SERVICES



INVOICED



DEFERRED & UNBILLED DEFERRED SUBSCRIPTION REVENUE



Definitions



1. “Deferred Subscription Revenue” primarily consists of billings or payments received in advance of revenue being recognized from subscription services. Deferred revenue is recognized as Revenue as the revenue recognition criteria are met. The Company generally invoices customers in annual installments upon execution of a contract. With the Leader in Me offering, the contract includes both membership and Onsite consulting which can be invoiced to the client in one lump sum. In this circumstance, the entire lump sum is included in Deferred Revenue. The Education Deferred Revenue related to the LIM is recognized as revenue over the life of the contract whereas the consulting is recognized when the consulting takes place. The deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, contract duration, invoice timing and contract size. When Management refers to Deferred Revenue or the change in Deferred Revenue it is primarily referring to the subscription related portion and not the customer deposits and other portions.
2. “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.
3. “Invoiced” is the sum of reported Net Revenue 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.
4. “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.
5. “Revenue Flow-Through” is the year-over-year change in Adjusted EBITDA divided by the year-over-year change in Revenue.
6. “Subscription Services Revenue” is a sale which has been recognized from a client that has purchased Onsite training or materials in connection with or subsequently to entering into a subscription arrangement. This is in contrast to a Legacy sale which is generally Onsite training or materials for a client which has not entered into a subscription arrangement.
7. “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.

Definitions



1. “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.
2. “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.
3. “North America Revenue” consists of revenue generated by our direct offices in the United States and Canada, including government Revenue.
4. “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).
5. “AAP Revenue Retention Rate” is equal to the revenue from retained All Access Pass customers plus win backs, divided by the prior period total All Access Pass recurring revenue.



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