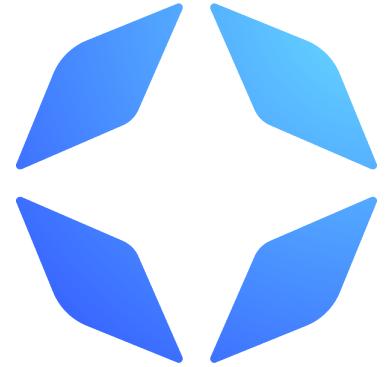


Greatness Starts Here

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



FranklinCovey™

INVESTOR UPDATE

Fourth Quarter and Fiscal 2025



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.

This presentation uses the non-GAAP financial measures of Adjusted EBITDA, Free Cash Flow, and "constant currency." The Company defines Adjusted EBITDA as net income excluding the impact of interest, income taxes, intangible asset amortization, depreciation, stock-based compensation expense, and certain other infrequently occurring items such as restructuring and headquarters moving costs. Free Cash Flow is defined as GAAP calculated cash flows from operating activities less capitalized expenditures for purchases of property and equipment, curriculum development, and content or license rights. Constant currency is a non-GAAP financial measure that removes the impact of fluctuations in foreign currency exchange rates and is calculated by translating the current period's financial results at the same average exchange rates in effect during the prior year and then comparing this amount to the prior year. 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, or other GAAP operating measures.

What We Are Playing For



To be the partner of choice for leaders pursuing breakthrough results—results that depend not only on great strategy, but on how people work together to deliver it.

Strategic Priority #1

Combine the world's best content, technology, and services to create solutions that deliver breakthrough impact for our clients.

Strategic Priority #2

Transform and accelerate our go-to-market motions to win more new clients and accelerate the retention and expansion of existing clients.

Generating Durable Breakthrough Performance



Learning Libraries

Teaching concepts or skills



Behavior Change

Experiences that include sustainment



Organizational Outcomes

Systems for collective action against a result

FranklinCovey's Solutions

FY2025 Results vs. Guidance

(in Millions and Unaudited)



FY2025	Guidance (in constant currency)	Results	
Revenue	\$265M - \$275M	\$267.1M \$267.3M in CC	Within Range
EBITDA	\$28M - \$33M	\$28.8M \$29.0M in CC	Within Range

Franklin Covey

(in Millions and Unaudited)



\$267.1M

FY25 Revenue

\$287.2M FY24

\$71.2M

Q4FY25 Revenue

\$84.1M Q4FY24

\$28.8M

FY25 Adjusted EBITDA

\$55.3M FY24

\$11.7M

Q4FY25 Adjusted EBITDA

\$22.9M Q4FY24

\$111.7M

Q4FY25 Deferred Subscription Revenue Balance

\$107.9M Q4FY24

\$12.1M

FY25 Free Cash Flows

\$48.9M FY24

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

Deferred Subscription revenue balance is comprised of \$106.5M in current liabilities and \$5.1M in long term liabilities.

Enterprise Division – North America

(in Millions and Unaudited)



\$147.6M

FY25 Revenue

\$35.9M in Q4FY25

\$83.9M

FY25 Subscription Revenue

\$20.7M in Q4FY24

\$131.1M

FY25 Subscription & Subscription Services Revenue

\$32.9M in Q4FY25

\$46.7M

Q4FY25 Billed Deferred Subscription Revenue Balance

\$49.3M Q4FY24

\$67.6M

Q4FY25 Unbilled Deferred Revenue Balance

\$68.4M Q4FY24

60%

FY25 AAP Multi-Year Contract Value

Enterprise Division - International

(in Millions and Unaudited)



\$29.3M

FY25 Revenue – International Direct

\$7.4M in Q4FY25

\$11.1M

**FY25 Revenue - International
Licensee Partners**

\$2.4M in Q4FY25

Education Division

(in Millions and Unaudited)



\$74.6M

FY25 Revenue

\$24.4M in Q4FY25

\$80.7M

FY25 Invoiced Amounts

\$44.9M in Q4FY25

\$69.4M

FY25 Subscription & Subscription Service Revenue

\$23.3M in Q4FY25

\$54.6M

FY25 Deferred Subscription Revenue Balance

\$48.5M Q4FY24

FY2026 Guidance



FY2026	Guidance (in constant currency)
Revenue	\$265M - \$275M
EBITDA	\$28M - \$33M

- Expect approximately 45% to 50% of Revenue will be recognized in the first half, reflecting normal seasonality, especially in the Education Division, and the timing of client delivery.
- Expect approximately 30% to 35% of Adjusted EBITDA to be generated in the first half, with margin expansion expected as cost savings and operating leverage build through the back half of the year.

Appendix



Franklin Covey Financial Headlines

(in Millions and Unaudited)



	Q4 FY 25	Q4 FY 24	Chg	%	Fiscal 2025	Fiscal 2024	Chg	%
Revenue	\$ 71.2	\$ 84.1	(\$12.9)	-15.3%	\$ 267.1	\$ 287.2	(\$20.2)	-7.0%
Cost of Sales	17.5	18.4	(0.9)	-5.1%	63.5	66.2	(2.7)	-4.0%
Gross Profit	53.8	65.7	(11.9)	-18.2%	203.6	221.1	(17.5)	-7.9%
Gross Profit %	75.5%	78.1%	(265)	bps	76.2%	77.0%	(74)	bps
Operating SG&A	42.1	42.8	(0.7)	-1.7%	174.8	165.8	9.0	5.4%
Operating SG&A %	59.1%	50.9%	(817)	bps	65.5%	57.7%	(773)	bps
Adjusted EBITDA	\$ 11.7	\$ 22.9	(\$11.2)	-48.9%	\$ 28.8	\$ 55.3	(\$26.5)	-48.0%
Adjusted EBITDA %	16.4%	27.3%			10.8%	19.2%		

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.

Revenue Information

(in Millions and Unaudited)



	FY 2024					FY 2025					FY2025	
	Full Year	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4		
Balance Sheet												
Roll-Forward of Deferred Subscription Revenue												
Beginning Balance (deferred revenue)	88.1	99.0	87.2	86.1	83.8	99.0	107.9	95.7	94.4	89.3	107.9	
Subscription Invoiced	150.0	24.7	34.6	34.5	62.9	156.8	24.7	33.9	31.7	61.4	151.7	
Amounts Recorded to Revenue	(139.0)	(36.6)	(35.7)	(36.7)	(38.8)	(147.9)	(36.9)	(35.2)	(36.8)	(39.1)	(147.9)	
Change in Deferred Revenue	11.0	(11.9)	(1.1)	(2.3)	24.1	8.9	(12.2)	(1.3)	(5.1)	22.3	3.8	
Ending Balance (Def Subscription Revenue)	99.0	87.2	86.1	83.8	107.9	107.9	95.7	94.4	89.3	111.7	111.7	
Unbilled Deferred Contracts												
Beginning Balance (off balance sheet)	65.4	87.4	82.5	72.7	69.4	87.4	75.2	73.0	64.5	62.0	75.2	
New Unbilled Contracts	67.0	7.2	8.8	8.9	20.5	45.4	7.8	9.8	7.3	23.5	48.4	
Amounts Invoiced	(45.0)	(11.7)	(18.5)	(12.2)	(14.8)	(57.1)	(10.0)	(18.3)	(9.8)	(12.7)	(50.8)	
Ending Balance (off balance sheet)	87.4	82.5	72.7	69.4	75.2	75.2	73.0	64.5	62.0	72.8	72.8	
Breakout of Deferred Sales (above)												
Subscription Invoiced Amounts												
Enterprise Subscription Contracts	102.3	21.4	29.9	25.3	30.7	107.3	18.5	30.2	23.6	27.4	99.7	
Education Subscription Contracts	47.6	3.4	4.7	9.2	32.3	49.5	6.2	3.6	8.1	34.0	51.9	
Total Additions to balance sheet	150.0	24.7	34.6	34.5	62.9	156.8	24.7	33.9	31.7	61.4	151.7	

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

APPENDIX

Franklin Covey Revenue Analysis

(in Millions and Unaudited)



Fourth Quarter	Enterprise Division				Education Division				Corporate			Total Company				
	FY25	FY24	Change	%	FY25	FY24	Change	%	FY25	FY24	Change	FY25	FY24	Change	%	
Revenue																
Subscription Revenue	25.6	26.9	(1.3)	-4.9%	13.5	11.9	1.6	13.2%				39.1	38.8	0.3	0.7%	
Subscription Services	14.0	16.3	(2.3)	-14.0%	9.7	10.7	(1.0)	-9.0%				23.7	27.0	(3.3)	-12.1%	
Other Revenue	6.1	15.0	(8.9)	-59.5%	1.2	1.8	(0.6)	-31.8%	1.1	1.5	(0.4)	8.4	18.3	(9.9)	-54.0%	
Total Revenue Recorded	45.7	58.2	(12.6)	-21.6%	24.4	24.4	0.1	0.2%	45.7	58.2	(12.6)	71.2	84.1	(12.9)	-15.3%	
Invoiced Amounts	47.5	62.0	(14.5)	-23.4%	44.9	44.7	0.2	0.5%	1.1	1.5	(0.4)	93.6	108.2	(14.6)	-13.5%	
Total Contracts Signed	58.5	67.6	(9.2)	-13.5%	44.7	44.9	(0.1)	-0.3%	1.1	1.5	-	104.3	114.0	(9.7)	-8.5%	
Enterprise Division					Education Division				Corporate			Total Company				
Last 12 Months Fourth Quarter	FY25	FY24	Change	%	FY25	FY24	Change	%	FY25	FY24	Change	FY25	FY24	Change	%	
Revenue																
Subscription Revenue	102.1	106.3	(4.3)	-4.0%	45.9	41.6	4.2	10.2%				147.9	147.9	(0.0)	0.0%	
Subscription Services	54.5	58.5	(4.0)	-6.8%	23.5	25.4	(1.9)	-7.3%				78.0	83.9	(5.9)	-7.0%	
Other Revenue	31.5	43.3	(11.8)	-27.3%	5.2	7.2	(2.0)	-27.4%	4.4	4.9	(0.5)	41.1	55.4	(14.3)	-25.8%	
Total Revenue Recorded	188.1	208.1	(20.1)	-9.6%	74.6	74.2	0.4	0.5%	188.1	208.1	(20.1)	267.1	287.2	(20.2)	-7.0%	
Invoiced Amounts	185.8	209.1	(23.3)	-11.2%	80.7	82.1	(1.4)	-1.7%	4.4	4.9	(0.5)	270.8	296.1	(25.2)	-8.5%	
Total Contracts Signed	183.4	196.8	(13.4)	-6.8%	80.6	82.1	(1.5)	-1.8%	4.4	4.9	-	268.4	283.9	(15.4)	-5.4%	
Enterprise Division					Education Division				Corporate			Total Company				
As of August 31	FY25	FY24	Change	%	FY25	FY24	Change	%	FY25	FY24	Change	FY25	FY24	Change	%	
Deferred Subscription Revenue Balance	57.1	59.4	(2.3)	-3.9%	54.6	48.5	6.1	12.5%				111.7	107.9	3.8	3.5%	
Unbilled Deferred Revenue Balance	72.0	74.4	(2.3)	-3.2%	0.8	0.8	(0.1)	-7.6%				72.8	75.2	(2.4)	-3.2%	

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 (Loss) to Adjusted EBITDA

(in Thousands and Unaudited)

	Quarter Ended		Fiscal Year Ended	
	August 31, 2025	August 31, 2024	August 31, 2025	August 31, 2024
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 4,372	\$ 11,956	\$ 3,068	\$ 23,402
Adjustments:				
Interest income, net	(68)	(63)	(363)	(4)
Income tax provision	3,583	6,035	2,999	9,644
Amortization	1,098	1,045	4,392	4,248
Depreciation	1,088	910	4,066	3,905
Stock-based compensation	75	3,050	5,805	10,142
Restructuring costs	-	-	6,723	3,008
Building exit costs	1,569	-	2,067	-
Impaired asset	-	-	-	928
Adjusted EBITDA	<u>\$ 11,717</u>	<u>\$ 22,933</u>	<u>\$ 28,757</u>	<u>\$ 55,273</u>
Adjusted EBITDA margin	16.4%	27.3%	10.8%	19.2%

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.

Free Cash Flow

(in Thousands and Unaudited)



	Fiscal Year Ended	
	August 31, 2025	August 31, 2024
		(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,068	\$ 23,402
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,458	8,153
Amortization of capitalized curriculum costs	4,440	3,172
Stock-based compensation	5,805	10,142
Impaired asset	-	928
Deferred income taxes	1,468	1,885
Amortization of right-of-use operating lease assets	610	760
Changes in working capital	5,128	11,815
Net cash provided by operating activities	<u>28,977</u>	<u>60,257</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(8,253)	(3,694)
Curriculum development costs	(7,561)	(6,866)
Reacquisition of license rights	(1,074)	(750)
Net cash used for investing activities	<u>(16,888)</u>	<u>(11,310)</u>
Free Cash Flow	\$ 12,089	\$ 48,947



Enterprise Division Financial Summary

(in Millions and Unaudited)

	Q4 FY 25	Q4 FY 24	Chg	%	Fiscal 2025	Fiscal 2024	Chg	%
Revenue	\$ 45.7	\$ 58.2	(\$12.6)	-21.6%	\$ 188.1	\$ 208.1	(\$20.1)	-9.6%
Cost of Sales	8.2	9.0	(0.8)	-9.0%	34.2	36.1	(2.0)	-5.4%
Gross Profit	37.5	49.2	(11.7)	-23.9%	153.9	172.0	(18.1)	-10.5%
Gross Profit %	82.1%	84.6%	(247)	bps	81.8%	82.6%	(81)	bps
Operating SG&A	28.4	30.9	(2.5)	-8.0%	121.4	116.3	5.2	4.4%
Operating SG&A %	62.2%	53.0%	(914)	bps	64.6%	55.9%	(871)	bps
Adjusted EBITDA	\$ 9.1	\$ 18.4	(\$9.3)	-50.4%	\$ 32.5	\$ 55.7	(\$23.3)	-41.8%
Adjusted EBITDA %	19.9%	31.5%			17.3%	26.8%		

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.

APPENDIX

Enterprise Division AAP & Related Revenue

(in Millions and Unaudited)



	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Fiscal 2024	Fiscal 2025
Subscription Revenue	\$26.9	\$26.4	\$25.1	\$25.0	\$25.6	\$106.3	\$102.1
Subscription Service Revenue	16.3	14.6	11.0	14.9	14.0	58.5	54.5
Total Subscription and Subscription Service Revenue	43.2	41.0	36.1	39.9	39.6	164.8	156.6
Subscription Related Services Attach Rate	61%	55%	44%	60%	55%	55%	53%
Direct Office Non-Subscripton Revenue	12.8	7.7	5.0	4.9	4.0	33.6	21.6
International licensees Non-Subscription Revenue	2.2	2.9	2.5	2.4	2.1	9.7	9.9
Total Enterprise Revenue	\$58.2	\$51.6	\$43.6	\$47.3	\$45.7	\$208.1	\$188.1

	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Fiscal 2024	Fiscal 2025
North America Sales	\$46.9	\$40.1	\$34.5	\$37.1	\$35.9	\$163.4	\$147.6
International Direct Office Sales	\$8.8	\$8.2	\$6.2	\$7.5	\$7.4	33.3	29.3
International Licenses	2.5	3.2	2.8	2.7	2.4	11.4	11.1
Total Enterprise Division	58.2	51.6	43.6	47.3	45.7	208.1	188.1

Education Division Financial Summary

(in Millions and Unaudited)



	<u>Q4 FY 25</u>	<u>Q4 FY 24</u>	<u>Chg</u>	<u>%</u>	<u>Fiscal 2025</u>	<u>Fiscal 2024</u>	<u>Chg</u>	<u>%</u>
Revenue	\$ 24.4	\$ 24.4	\$ 0.1	0.2%	\$ 74.6	\$ 74.2	\$ 0.4	0.5%
Cost of Sales	8.7	8.3	0.4	4.8%	26.9	26.7	0.2	0.8%
Gross Profit	15.8	16.1	(0.3)	-2.1%	47.7	47.5	0.2	0.4%
Gross Profit %	64.5%	66.0%	(155)	bps	64.0%	64.0%	(7)	bps
Operating SG&A	9.6	9.1	0.5	5.7%	39.6	37.7	1.8	4.9%
Operating SG&A %	39.2%	37.2%	(202)	bps	53.0%	50.8%	(218)	bps
Adjusted EBITDA	\$ 6.2	\$ 7.0	(\$0.9)	-12.2%	\$ 8.2	\$ 9.8	(\$1.6)	-16.6%
Adjusted EBITDA %	25.3%	28.8%			11.0%	13.2%		

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.

Other Information



OTHER INCOME STATEMENT INFORMATION:

- Depreciation: \$4.1M in FY2025, expected to total approximately \$4.5M in FY2026.
- Amortization: \$4.4M in FY2025, expected to total approximately \$3.0M in FY2026.
- Net Interest Income: \$0.4M in FY2025 and Net Interest Income expected to total approximately \$0.4M in FY2026.
- Effective Tax Rate: Our normalized future effective tax rate is expected to eventually be 28% to 32%, before unusual permanent book/tax differences. Our current estimate of the effective tax rate for fiscal 2026 is approximately 35%.

OTHER INFORMATION:

- Capital Expenditures: \$8.3M in FY2025, expected to total approximately \$5M to \$7M in FY2026.
- Capitalized Curriculum excluding acquired content: \$7.6M in FY2025, expected to total approximately \$8M to \$10M in FY2025.
- Share Count: 12,482k shares outstanding as of August 31, 2025. 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.
- The impact of FX on Revenue in the fourth quarter of 2025 was a \$0.1M increase to Revenue and a \$0.2M increase to Adjusted EBITDA. The fiscal year impact of FX is a decrease of \$0.2M to revenue and a decrease of \$0.3M to adjusted EBITDA. The impact of FX on Revenue and Adjusted EBITDA in FY2024 was an unfavorable \$900K and \$500K, respectively.

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

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 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. As these obligations are satisfied, the revenue is classified as subscription revenue in the tables included in this presentation. 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 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.
- “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.
- “Revenue Flow-Through” is the year-over-year change in Adjusted EBITDA divided by the year-over-year change in Revenue.
- “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.
- “Operating SG&A” is non-GAAP financial measure. It generally excludes stock-based compensation, building exit costs related to vacating our prior corporate offices, and unusual or one-time charges. See the Reconciliation of Net Income or Loss to Adjusted EBITDA in additional financial information.

Definitions continued



- “Adjusted EBITDA” (earnings before interest, income taxes, depreciation, intangible asset 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.
- “Free Cash Flow” is defined as GAAP calculated cash flows from operating activities less capitalized expenditures for purchases of property and equipment, curriculum development, and content or license rights.
- The Company references Adjusted EBITDA and Free Cash Flow 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 or Free Cash Flow 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.
- “North America Revenue” consists of revenue generated by our direct offices in the United States and Canada, including government Revenue.
- “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).
- “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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